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integrated  
**report**

# Table of contents

<b>THE BUDIMEX GROUP IN NUMBERS IN 2021 . . . . .</b>	<b>.5</b>
<b>ABOUT THE BUDIMEX GROUP . . . . .</b>	<b>.7</b>
• BUDIMEX GROUP'S BUSINESS MODEL . . . . .	7
• KEY NON-FINANCIAL INDICATORS OF EFFECTIVENESS. . . . .	8
• PRIZES AND AWARDS IN 2021. . . . .	9
• HOLDING COMPANY STRUCTURE . . . . .	10
• HOLDING COMPANY MANAGEMENT. . . . .	12
• MANAGEMENT OF SUSTAINABLE DEVELOPMENT IN THE BUDIMEX GROUP . . . . .	14
• QUALITY MANAGEMENT. . . . .	16
• CAPITALS. . . . .	17
• Financial capital . . . . .	18
• Human capital . . . . .	18
• Organisational capital. . . . .	19
• Intellectual capital . . . . .	19
• Social capital . . . . .	20
• Natural capital . . . . .	21
<b>THE ENVIRONMENT IN WHICH THE BUDIMEX GROUP OPERATES . . . . .</b>	<b>.21</b>
• THE STATE OF THE CONSTRUCTION SECTOR IN 2021 . . . . .	21
• PROSPECTS OF THE CONSTRUCTION MARKET IN POLAND . . . . .	23
• Road construction . . . . .	24
• Railway construction. . . . .	26
• Water construction. . . . .	27
• Energy construction . . . . .	28
• Public-private partnerships . . . . .	30
<b>THE BUDIMEX GROUP'S STRATEGY . . . . .</b>	<b>.31</b>
• THE BUDIMEX GROUP'S VALUES . . . . .	31
• THE BUDIMEX GROUP VALUE CHAIN . . . . .	32
• CSR STRATEGY 2021-2023 . . . . .	33
<b>THE BUDIMEX GROUP IN 2021 . . . . .</b>	<b>.35</b>
• OUTLETS. . . . .	35
• Segments of activity . . . . .	35
• The geographical structure of sales revenues . . . . .	36
• MAJOR CONTRACTS . . . . .	37
<b>THE BUDIMEX GROUP'S FINANCIAL SITUATION IN 2021 . . . . .</b>	<b>.39</b>
• SCALE OF OPERATIONS – STATEMENT ON THE FINANCIAL POSITION. . . . .	39
• FACTORS INFLUENCING THE FINANCIAL RESULT OF THE BUDIMEX GROUP. . . . .	41
• CASH FLOW . . . . .	44
• MANAGEMENT OF FINANCIAL RESOURCES OF THE BUDIMEX GROUP. . . . .	45
<b>IMPORTANCE OF INFORMATION IN THE REPORT AND RISK MANAGEMENT. . . . .</b>	<b>.47</b>
• METHODS FOR DETERMINING MATERIALITY . . . . .	47
• IMPORTANT STAKEHOLDERS . . . . .	48
• IMPORTANT ISSUES . . . . .	49
• IMPORTANT RISKS . . . . .	51
<b>ETHICS AND HUMAN RIGHTS IN THE BUDIMEX GROUP . . . . .</b>	<b>.52</b>
• ETHICS MANAGEMENT . . . . .	52
• VIOLATION REPORTING SYSTEM . . . . .	54
• PREVENTION OF FORCED LABOUR. . . . .	55
• MANAGEMENT OF CONFLICTS OF INTEREST . . . . .	56
• COUNTERACTING CORRUPTION. . . . .	57
<b>COMPLIANCE WITH THE EUROPEAN UNION TAXONOMY. . . . .</b>	<b>.58</b>
<b>CLIMATE CHANGE AND THE ENVIRONMENT . . . . .</b>	<b>.61</b>
• MANAGING THE ENVIRONMENTAL AREA. . . . .	61
• CLIMATE CHANGE AND THE LONG-TERM OUTLOOK FOR THE GROUP'S BUSINESS . . . . .	63
• FUELS AND ENERGY . . . . .	66
• REDUCING GREENHOUSE GAS EMISSIONS. . . . .	67
• RAW MATERIALS AND WASTE . . . . .	68
• PROTECTION OF WATER RESOURCES . . . . .	71
• IMPACT ON THE LOCAL ENVIRONMENT AND BIODIVERSITY . . . . .	72
• NATURE CONSERVATION IN THE SUPPLY CHAIN . . . . .	74
<b>EMPLOYEE ISSUES IN THE BUDIMEX GROUP . . . . .</b>	<b>.75</b>
• WE CARE ABOUT SAFETY . . . . .	75
• HEALTH AND SAFETY MANAGEMENT IN THE BUDIMEX GROUP . . . . .	75
• ACCIDENT PREVENTION AND OHS TRAINING. . . . .	76
• MANAGING THE STAFF AREAS. . . . .	78
• EMPLOYMENT STRUCTURE. . . . .	79
• REMUNERATION IN BUDIMEX GROUP . . . . .	81
• WORK ATMOSPHERE AND STAFF DEVELOPMENT. . . . .	82
• DEVELOPMENT, PROMOTION AND TRAINING. . . . .	82
• EMPLOYEE BENEFITS . . . . .	84
• DIVERSITY MANAGEMENT . . . . .	84
<b>SOCIAL ISSUES IN THE BUDIMEX GROUP . . . . .</b>	<b>.85</b>
• THE BUDIMEX GROUP'S SOCIAL IMPACT. . . . .	85
• IMPACT ON LOCAL COMMUNITIES . . . . .	85
• BUDIMEX FOR SOCIETY . . . . .	87
<b>ABOUT THE REPORT . . . . .</b>	<b>.88</b>
• INFORMATION ON REPORTING. . . . .	88
• SPECIFICATION OF THE REPORT . . . . .	89
<b>ATTACHMENTS. . . . .</b>	<b>.92</b>
• ENVIRONMENTAL DATA . . . . .	92
• DETAILED INFORMATION ON EMPLOYMENT IN 2021 . . . . .	94
• INFORMATION ON MATERNITY AND PATERNITY LEAVE. . . . .	98

# Letter from the President to the stakeholders



[GRI 2-14]  
[GRI 2-22]

Dear All,

I submit to you the integrated annual report of the Budimex Group for 2021.

Last year was full of events influencing the shape of both the business in the construction industry and the overall functioning of the market and social life in Poland. Several important factors had an impact on the formation of the directions of sustainable development activities. In the reported year, there were significant changes in the Budimex Group. On 24 May 2021, an agreement on the sale by Budimex SA of all shares in Budimex Nieruchomości sp. z o.o. was signed. We believe that by focusing our resources and experience on key areas of activity we will be able to continue our strategic development with due diligence in all ESG areas.

We recognise the need to intensify the business's efforts to stem the growing negative effects of climate change, so in order to strengthen its strategic planning in Area E (Environment), the Budimex Group conducted a Climate Risk Analysis, the results of which we publish in this report in Chapter 7.2 Climate Change and Long-Term Prospects for the Group's Business. We also worked to meet the requirements of the first reporting cycle for compliance with the EU Taxonomy, and information on the results of our work can be found in this report in chapter 6. Compliance with the EU Taxonomy. As a result of our activities, Scope 1+2 market-based GHG emissions decreased by 23.1% over the last year for the whole Budimex Group.

2021 was a period of intensive development of the Budimex Group and preparation for geographical expansion in accordance with internal assumptions. As part of the planned activities on the German, Czech and Slovak markets, we established special purpose vehicles. We have signed the first order on the German market. The next milestone will be winning contracts on the Czech and Slovak markets, where we focus primarily on road and hydraulic engineering projects.

In accordance with the chosen development direction of the Budimex Group, we consistently work on photovoltaic and wind farm projects, both onshore and offshore. On 22 February 2022, we finalised the transaction for the purchase of a company implementing a project to build a wind farm with a capacity of up to 7 MW. For us, this is a first, very important step that marks Budimex's entry into the segment of electricity generation from renewable energy sources in high-power

projects. The new project in Budimex's portfolio provides for construction of a wind farm consisting of 2 wind turbines with estimated annual production exceeding 25 GWh. We are planning further investments in renewable sources of energy with simultaneous entry onto selected foreign markets, in accordance with the development directions adopted by the Budimex Group.

The Budimex Group also invests in innovative solutions, including green technologies, i.e. aiming at the reduction of its carbon footprint. We are planning that by 2030 all the energy we consume will be obtained from green sources. We are also analysing investments in young technological companies operating in a pro-ecological way. As part of the Budimex Startup Challenge, we have selected 5 companies and committed to cooperate with them.

At the beginning of 2022, Budimex Group started the construction of a dam on the Polish-Belarusian border. Due to its specificity, the investment has prompted various communities to discuss and consider threats to biodiversity. The topic of dam construction activities on the border is addressed in ongoing communication with stakeholders. A summary of the most important information about the construction of the dam is provided in Chapter 7.7 Impact on the local environment and biodiversity.

Safety management on the conducted contracts is an extremely important area for the Budimex Group. As every year, we have organised a "Safety Week", during which our employees receive practical knowledge on occupational health and safety. The Budimex Group has a process in place to ensure in-depth analysis of each safety incident. As a result of the analyses conducted in 2021, we have systematically improved and developed our systems – both through additional training and extension of existing procedures.

In 2021, we experienced the further development of the COVID-19 pandemic and its consequences. Budimex Group introduced a set of procedures and measures to ensure the safety of our employees as early as 2020. We ran a "Stay strong" programme supporting employees in taking care of their mental and physical well-being. We adapt the forms of communication with our stakeholders to the current recommendations and restrictions related to the pandemic. Despite difficult market conditions caused by the effects of the COVID-19 pandemic, and

rising prices of key materials, we maintained operational continuity on the Budimex Group contracts and implemented strategic plans in the areas of development and ESG.

In the past year, we placed great emphasis on preparing to meet the Good Practices of Listed Companies 2021 in terms of diversity. The Budimex Group is an organisation that is open-minded and resolutely against any manifestation of discrimination. The basis for our activities in the area of diversity was the implementation of the Diversity Policy in 2021, which applies both to all persons employed by the Budimex Group and the Group's top management structures.

As the leader of the construction sector in Poland, Budimex offers unique development opportunities for both potential and existing employees. In 2021, we continued our development offer as part of programmes such as the "Young Engineer's Academy" and the "Contract Manager's Academy".

Despite the demanding environment, we honour our contractual obligations and carry out the tasks entrusted to us as stipulated, while ensuring quality and maintaining the highest environmental and social standards. In 2021, our efforts were recognised with numerous awards, including the Sustainable Economy Diamonds competition in the Sustainable Construction Leader category. We also won as many as five Construction of the Year 2020 awards, the most among all general contractors. Our construction of the new unit at Turów Power Plant was recognised by the State Labour Inspectorate as the safest construction site in 2021.

We are proud of our ever improving results. I would like to thank all employees as well as key stakeholders and investors for their contribution to the sustainable development of the Budimex Group.



# The Budimex Group in numbers in 2021



## Revenue

PLN

**7,911**

million



## Net Income

PLN

**986**

million



## Order Portfolio

PLN

**12,977**

million



## Number of employees

**6,939**



## Amount of Donations

PLN

**1,889** k

	Budimex Group 2021
<b>Financial area:</b>	
revenue	PLN 7,911 million
EBITDA	PLN 734 million
net profit	PLN 986 million
order portfolio	PLN 12,977 million
signed contracts	PLN 7,002 million
net cash (funds and their equivalents – liabilities due to loans, borrowings and other external financing sources)	PLN 2,477 million
capitalisation (as of the 30th of December 2021)	PLN 5,795 million
paid taxes (CIT, PIT, VAT) ZUS	PLN 1,112 million
recommended dividend from 2021 earnings per share	PLN 38.37
<b>Employee area:</b>	
number of employees	6,939
total number of accidents at work among the company's employees	112
ratio of basic salary of men and women by occupied position	
in total all employees	83.7%
senior management	54.9%
managers and executives	75.4%
other employees	83.0%
<b>Social area:</b>	
amount of donations	PLN 1,889 thousand
amount of Grant for volunteering shares	11 units
<b>Environmental area:</b>	
total electricity consumption	23,814.13 MWh
total CO <sub>2</sub> emissions (range 1 and 2)	84,391.1 Mg CO <sub>2</sub> e
total water consumption	145,588.2 m <sup>3</sup>
<b>Corruption counteracting and human rights area:</b>	
number of confirmed corruption incidents	0
number of confirmed cases of human rights violations	0

## [GRI 2] About the Budimex Group



### [GRI 2-1] [GRI 2-6] Budimex Group's business model

The Budimex Group provides a wide range of construction and assembly services performed in the general contracting system in Poland and abroad, produces and offers services, manages municipal waste, provides comprehensive road maintenance and technical services for buildings. Up until the 24th of May 2021 i.e. until the sale of the Budimex Nieruchomości Sp. o.o. company, the Budimex Group also conducted real estate development and property management activities.

In the case of construction activity the companies: Budimex SA, Budimex Kolejnictwo SA and Budimex Budownictwo Sp. z o.o. perform their tasks in all segments of the market, starting from road, rail and hydrotechnical infrastructure, to residential buildings, to complex energy and industrial projects. Mostostal Kraków S.A. specialises in the making and installation of steel structures and devices for the cement and lime, power, steel and chemical industries. It also offers design services.

The company's basic unit of activity is contracts. Each year Budimex concurrently executes approximately 200 contracts

Construction activity is mainly carried out in Poland, and on a limited scale also in foreign markets. Budimex Bau GmbH in 2021 started the acquisition of construction contracts in the German market, and the newly formed companies Budimex Construction Prague s.r.o. and Budimex Slovakia s.r.o. will expand Budimex's activities on the Czech and Slovak markets.

The Group makes every effort to fulfill the assigned tasks on time, while maintaining high safety and quality standards. The years of experience in the area of construction allow it to offer a full range of works in general workmanship, characterised by high quality.

Companies under the FBŚerwis Group handle waste management, provide comprehensive services of road infrastructure maintenance and management of lighting infrastructure and technical support for buildings.

# About the Budimex Group



## Key non-financial indicators of effectiveness

Key non-financial indicators of effectiveness are monitored at the level of Budimex Group

	Unit of measurement	Budimex Group		
		2020	2021	y/y change
Employee area				
Number of employees	units	7,273	6,939	-4.2%
Number of work-related accidents among employees in total	units	134	112	-16.4%
Average number of training hours per employee	hours	12.1	14	+15.7%
Ratio of basic salary of men and women by occupied position	%	- (there has been a change in the method of collecting data by the grade of the worker)	83.7%	-
Social area				
Amount of donations	PLN thousand	4,094.0	1,889.0	-59.0%
Environmental area				
Total electricity consumption	MWh	27,634.24	23,814.13	-13.8%
GHG Scope 1+2 market-based emissions	Mg CO <sub>2</sub> e	109,883.6	84,391.1	-23.2%
Total water consumption	m <sup>3</sup>	199,509.2	145,588.2	-27.0%
Corruption counteracting and human rights area				
Number of confirmed corruption incidents	units	0	0	-
Number of confirmed cases of human rights violations	units	0	0	-



# About the Budimex Group



## Prizes and awards in 2021

Over the span of 2021 the Budimex Group received the following prizes and awards:

- Poland's most attractive employer #2 Budimex by Engineering Students
- 15<sup>th</sup> Edition of the Ranking of the Most Valuable Polish Brands 2021 Rzeczpospolita (46<sup>th</sup> place)
- Best Quality Employer 2021 CK
- 15<sup>th</sup> place in the ranking of the 1000 biggest industrial companies of the New Industry and Virtual New Industry
- 3<sup>rd</sup> place in the „Build Safely 2021” contest for the construction of S5 Nowe Marzy – Dworzysko
- Top Brand of 2021 – first place in the construction company and developer category
- Sustainable Construction Leader – Sustainable Economy Diamonds
- Construction of the Year in the North-Eastern Region – The Sibir Memorial Museum in Białystok
- Construction of the Year in the North-Eastern Region – Białystok Railway Station
- Tourfilm Festival FilmAT – for the film about the realisation of the Museum of the Sibir Memorial in Białystok
- Five Construction of the Year 2020 awards – Reservoir in Raciborz, Monopolis in Łódź, Wola Retro in Warsaw, LCS Idzikowice, Communication Centre Kielce
- 2<sup>nd</sup> place in the “Construction” category of the Forbes ranking of top employers
- Top Builder – for the construction of LK7 Otwock – Nałęczów
- Building Brand of the Year 2021

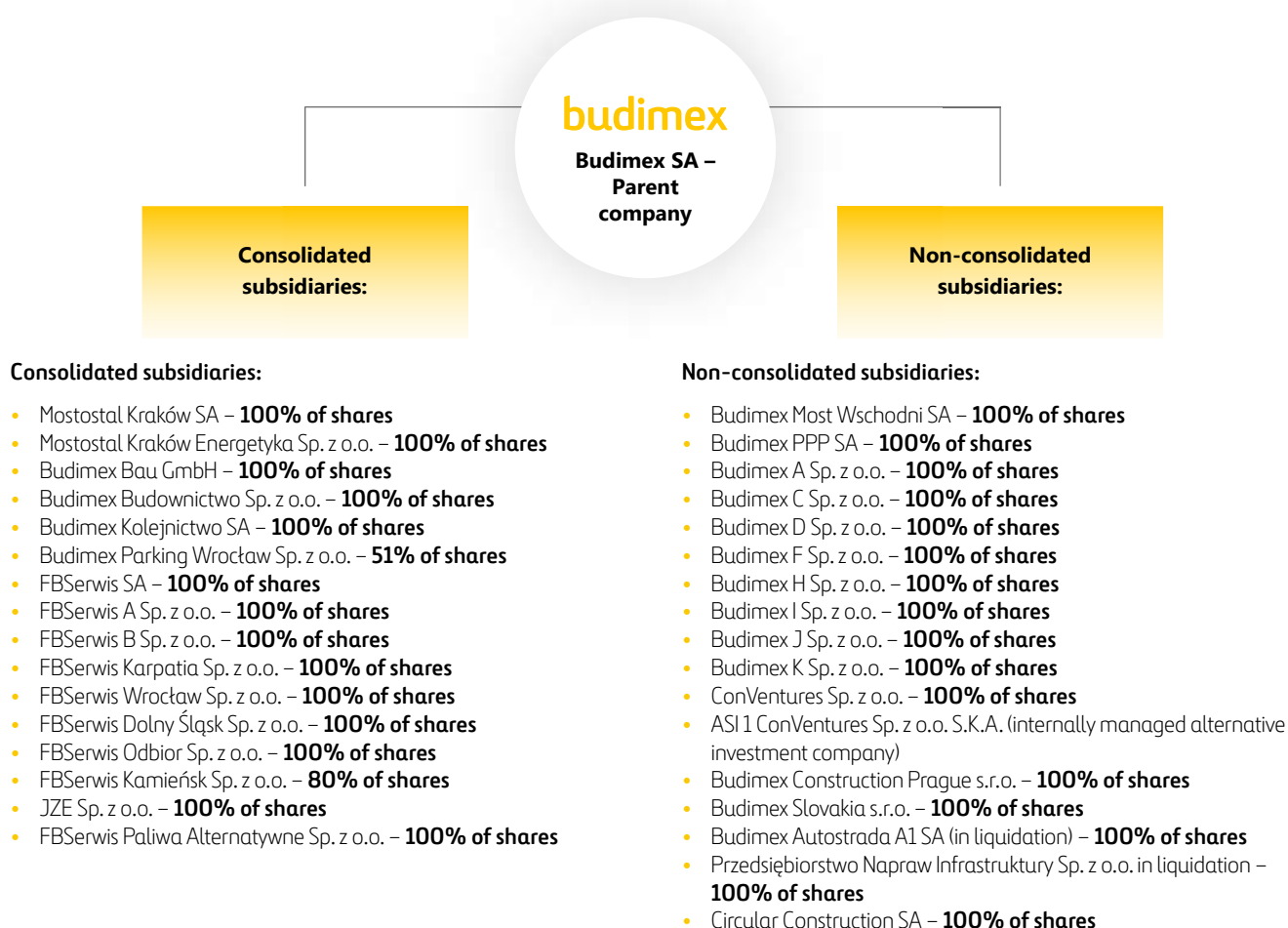


# About the Budimex Group



## Holding company structure

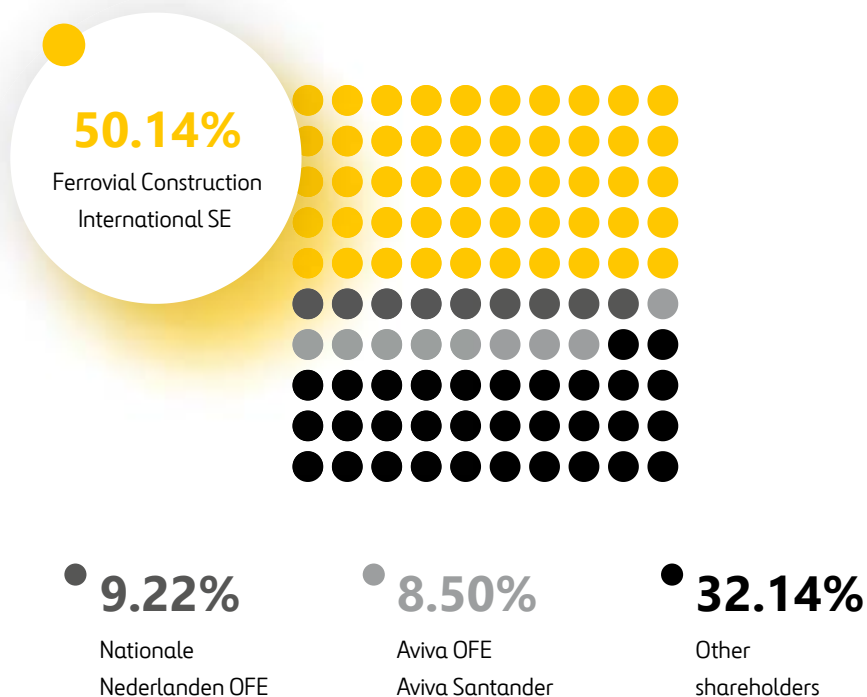
Holding company structure as of the 31<sup>st</sup> of December 2021 presents itself as follows:



## Important changes in the Holding Company Structure in 2021:

- On the 24<sup>th</sup> of May 2021, a disposal agreement was signed concerning the disposal of all shares in Budimex Nieruchomości Sp. z o.o. by Budimex SA.

## Shareholding structure



# About the Budimex Group



## [GRI 2-9] [GRI 2-10] Holding Company Management

The process of appointing the Management Board of the parent company Budimex SA is regulated by the scope of the Regulations of the Supervisory Board of Budimex SA. The process of appointing the Supervisory Board is regulated by the scope of the Regulations of the Supervisory Board of Budimex SA and the Rules of Procedure of the General Meeting of Budimex SA.

[GRI 2-9]  
[GRI 2-11]

### Composition of the Board

As of the 31<sup>st</sup> of December 2021, the Management Board of Budimex SA is composed of the following persons:



**Artur Popko**

President of the Management Board,  
Chief Executive Officer



**Jacek Daniewski**

Member of the Management Board,  
Chief Legal and Organisational Officer



**Cezary Mączka**

Member of the Management Board,  
Chief HR Officer



**Artur Pielech**

Member of the Board,  
General Director of FBSerwis SA



**Marcin Węglowski**

Member of the Management Board,  
Head of the Economic and Financial Division

#### In 2021, the following changes took place in the composition of the Board of Directors:

- on the 19<sup>th</sup> of May 2021, President Dariusz Blocher resigned from the Management Board of Budimex SA,
- on the 22<sup>nd</sup> of April 2021 the Supervisory Board of Budimex SA appointed Artur Popko, hitherto Vice President of the Management Board of Budimex SA, to the position of President of the Management Board, General Director, with effect from 20 May 2021,
- on the 23<sup>rd</sup> of September 2021 the Supervisory Board of Budimex SA, upon the motion of the President of the Management Board appointed Artur Pielech to the position of Member of the Management Board of Budimex SA,
- on the 9<sup>th</sup> of December 2021 the Supervisory Board of Budimex SA, at the request of Cezary Mączka dismissed him from the position of Member of the Management Board. In accordance with the resolution of the Supervisory Board, December 31, 2021 was the last day of Cezary Mączka's term of office in the Management Board of the Company.

## Composition of the Supervisory Council

### Composition of the Supervisory Council as of the 31<sup>st</sup> of December 2021:

- Marek Michałowski – President of the Council
- Juan Ignacio Gaston Najarro – Vice-President of the Council
- Igor Adam Chalupec – Council secretary
- Dariusz Jacek Blocher – Member of the council
- Danuta Dąbrowska – Member of the council
- Janusz Dedo – Member of the council
- Jose Carlos Garrido-Lestache Rodríguez – Member of the council
- Ignacio Aitor Garcia Bilbao – Member of the council
- Artur Kucharski – Member of the council
- Mario Mostoles Nieto – Member of the council

In 2021, the following changes took place in the composition of the Supervisory Board:

- on the 17<sup>th</sup> of May 2021 Fernando Luis Pascual Larragoiti resigned from his function in the Supervisory Council,
- on the 20<sup>th</sup> of May 2021 Agnieszka Słomka-Gotębiowska resigned from her function in the Supervisory Council,
- on the 20<sup>th</sup> of May 2021, the Annual General Meeting appointed two new members to the Supervisory Council, namely Dariusz Blocher and Ignacio Aitor Garcia Bilbao,
- on the 22<sup>nd</sup> of September 2021 Javier Galindo Hernandez resigned from his function in the Supervisory Council,
- on the 23<sup>rd</sup> of September 2021, the Supervisory Council of Budimex SA, pursuant to § 16 Section 3 of the Company's Articles of Association, passed a resolution on supplementing the composition of the Council by co-opting Mario Mostoles Nieto.

## Supervisory Council Committees

### The composition of the Audit Committee as of the 31<sup>st</sup> of December 2021 is as follows:

- Danuta Dąbrowska – chairwoman
- Janusz Dedo – member
- Ignacio Aitor Garcia Bilbao – member

### In 2021, the following changes took place in the composition of the Audit Committee:

- on the 20<sup>th</sup> of May 2021 in connection with her resignation from the Supervisory Council, Agnieszka Słomka-Gotębiowska ceased to be a member of the Audit Committee,
- on the 20<sup>th</sup> of May 2021 Javier Galindo Hernandez resigned from the Audit Committee,
- on the 20<sup>th</sup> of May 2021, the Supervisory Board appointed Mr Janusz Dedo and Mr Ignacio Aitor Garcia Bilbao to serve on the Audit Committee.

With regard to the fulfilment of the independence conditions for the members of the Audit Committee, the provisions of Article 129(3) of the Act of the 11th of May 2017 on Statutory Auditors, Audit Firms and Public Supervision, as well as the criteria for the independence of the members of the Board within the meaning of the “Best Practices of WSE Listed Companies 2016” (principle II Z 4 Section II Management Board and Supervisory Board of the Best Practices of WSE Listed Companies 2016) apply accordingly.

The independence status of a member of the Supervisory Board is determined by the company in accordance with the criteria established in the Operating Manual.

No. IO-01-07-02, concerning obtaining information from members of the Board and making it public, on the basis of statements made by members of the Board and pursuant to Article 129(3) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

### The composition of the Investment Committee as of the 31<sup>st</sup> of December 2021 is as follows:

- Janusz Dedo – chairman
- Dariusz Blocher – member
- Ignacio Aitor Garcia Bilbao – member

### In 2021, the following changes occurred in the composition of the Investment Committee:

- on the 12<sup>th</sup> of May 2021 in connection with his resignation from the Supervisory Board, Fernando Luis Pascual Larragoiti ceased to be a member of the Investment Committee,
- on the 20<sup>th</sup> of May 2021, the Supervisory Board appointed Dariusz Blocher to serve on the Investment Committee,
- on the 22<sup>nd</sup> of September 2021, following his resignation from the Supervisory Board, Javier Galindo Hernandez ceased to be a member of the Investment Committee,
- on the 23<sup>rd</sup> of September, the Supervisory Board appointed Mr Ignacio Aitor Garcia Bilbao to serve on the Investment Committee.

### The composition of the Remuneration Committee as of the 31<sup>st</sup> of December 2021 is as follows:

- composition of the Remuneration Committee as of the 31<sup>st</sup> of December 2021 is as follows:
- Marek Michałowski – chairman
- Dariusz Blocher – member
- Igor Chalupec – member
- Mario Mostoles Nieto – member

### In 2021, the following changes occurred in the composition of the Remuneration Committee:

- on the 20<sup>th</sup> of May 2021, the Supervisory Board appointed Dariusz Blocher to serve on the Remuneration Committee,
- on the 23<sup>rd</sup> of September 2021 Juan Ignacio Gaston Najarro resigned from the Remuneration Committee,
- on the 23<sup>rd</sup> of September 2021, the Supervisory Board appointed Mario Mostoles Nieto to serve on the Remuneration Committee.

# About the Budimex Group



[GRI 2-12]  
[GRI 2-13]  
[GRI 2-14]  
[GRI 2-16]  
[GRI 2-17]  
[GRI 2-18]

## Management of sustainable development in the Budimex Group

The Management Board of the Budimex Group takes key decisions influencing strategic directions of the Holding Companies' development in line with the principles of sustainable development. The Board is also responsible for approving strategic plans in the area of sustainable development.

In 2021, Cezary Mączka – Member of the Management Board and Director of the Human Resources Management Division supervised and actively participated in the work on modifying and updating the Strategy in the ESG areas. Work in this area has been ongoing since mid-2021 and as of the 31<sup>st</sup> of December 2021 has not yet been completed. Continuation of said work has been scheduled for 2022.

Operational activities in the ESG area are the responsibility of individual organisational units at Budimex SA for the supervision of environmental issues, risk management, human resources management, health and safety, compliance and communication.

At the current stage of ESG management conditionality, an assessment of the effectiveness of the Management Board and Supervisory Council's sustainability management activities has not been implemented.

## Diversity at the top management levels

The General Diversity Policy has been in place in the Budimex Group since September 2016. It was updated in June 2021. The policy sets the direction for effective diversity management in the Group. Remaining one of the largest employers in Poland, the Budimex Group is guided by the principles of respect for all persons, equal treatment of them, using the potential of employees and counteracting all forms of discrimination, believing that this brings tangible benefits and affects the development and innovation of the organisation and the creation of a friendly social environment.

The policy applies to all levels of employment in the Group. Due to the importance of the influence exerted on other staff by following the principles of diversity at the highest levels of the organisation, on the 21<sup>st</sup> of September 2021 the Diversity Policy of the Management Board was adopted in the Budimex Group. The purpose of the Policy is to ensure the principles of equal treatment and diversity at the highest management level of the Group. This policy sets out a trajectory of activities in an effort to meet best practice, including the Best Practices for Listed Companies 2021 on diversity. The adoption of the Diversity Policy by the Supervisory Council is scheduled for 2022.



## The objectives of the Diversity Policy are:



[GRI 2-15]

## Due diligence in management

Certified quality, occupational health and safety and environmental management systems ensure effective management at the operational level. In case of Budimex, at the head of the Holding Company Group, the Integrated Management System consists of:

- quality management system according to ISO 9001,
- environmental management system according to ISO 14001,
- occupational health and safety management system according to ISO 45001,
- information security management system according to ISO/IEC 27001,
- quality management system acc. to AQAP 2110,
- energy management system acc. to ISO 50001,
- IT Service Quality Management System acc. to ISO/IEC 20000-1,
- Welding quality system acc. to PN-EN ISO 3834-2.

Budimex SA has NATO Code No. 1836H of National Economy Entity (NCAGE) granted to entities whose activity is connected with the assortment of defence products or provision of services for defence. In addition, the Integrated Management System takes into account the guidelines for social responsibility management set out in the PN-ISO 26000 standard.

In other companies of the Budimex Group, Mostostal Kraków SA has certified management systems. The production, assembly and repair process is covered by the Quality Management System according to the Integrated Quality Management System (ISO 9001 – quality management system, ISO 14001 – environmental management system, ISO 45001 – occupational health and safety management system). The company holds a number of other certificates confirming e.g. bridge, welding or Office of Technical Inspection (UDT) licences.

# About the Budimex Group



## Quality management

Taking care of the highest quality of provided services is part of the basic values of the Budimex Group. The quality management procedures include both care for the application of top-class construction materials and for the accuracy and safety of construction works at each stage. The Integrated Management System applicable within the Budimex Group ensures compliance with the due diligence principle with respect to quality management.

The Integrated Management System, which includes the quality management system according to PN-EN ISO 9001, the environmental management system according to PN-EN ISO 14001, the occupational health and safety management system in accordance with ISO 45001, as well as a quality assurance system based on the requirements of the NATO AQAP 2110 standard.

Uniform quality procedures apply to all contracts performed by the Budimex Group. Certificates and subsequent accreditations obtained by the Group are the result of work of many persons involved in ensuring the highest quality of performed construction works.

Uniform quality procedures apply to all contracts performed by the Budimex Group. Certificates and subsequent accreditations obtained by the Group are the result of work of many persons involved in ensuring the highest quality of performed construction works.

In 2020, day-to-day quality control of works and construction products at all stages, also in the context of the safety of building structures, was carried out by a total of 27 laboratory units.

# About the Budimex Group



## Capitals

### Financial capital

The capital used by the Budimex Group to finance its activities consists of funds entrusted to it by shareholders, borrowers and lenders, as well as funds it generates by creating profit.

The Group conducts activities thanks to which the road and railway infrastructure and public utility facilities are built. It purchases the necessary raw materials and materials, settles its obligations towards business partners in a timely and reliable manner, and thus ensures their financial liquidity.

Capital management in 2021:

- Sales growth in the construction segment in the second half of 2021 (by more than 2% compared to the same period of 2020).
- Significant increase in revenue from the services segment (up 27% compared to 2020).
- Achieving a gross sales margin of 10,5% (vs. 9,1% in 2020). In the conditions of dynamic increase of material prices, the Budimex Group maintained the originally assumed contract margin on most projects.
- Sale of the real estate development activity segment – net profit resulting from the settlement of the sale transaction of Budimex Nieruchomości Sp. z o.o. in the amount of PLN 487.5 million.
- Maintaining cost discipline with a combined SG&A ratio of 3.5%.
- Withdrawal of a dividend from the profit for 2020 and an interim dividend from the profit for the first half of 2021 in the amount of PLN 806.8 million.
- Effective financial management – a net cash position of PLN 2.5 billion at the end of 2021.

### Results:

Measure	31.12.2020	31.12.2021	Change
Equity capital PLN million	1,187.3	<b>1,361.0</b>	+14.6%
Long-term liabilities in PLN million	1,139.7	<b>1,023.8</b>	-10.2%
Short-term liabilities in PLN million	5,135.2	<b>4,478.5</b>	-12.8%
Annual sales revenues in million PLN	7,709.1	<b>7,911.2</b>	+2.6%
<b>Annual net profit in million PLN</b>	<b>471.4</b>	<b>986.5</b>	<b>+109.3%</b>

## Human capital

The Budimex Group is formed by a diverse team of experienced engineers and other employees of other professions, committed to building its sustainable value.

The Group ensures fair working conditions for its employees and contractors. It supports its employees in skill development. It conducts a number of activities aimed at future engineers, e.g. under the Budimex Academy, internship and apprenticeship programmes. The basic value of its activity is concern for safety and health of all employees. The activities aimed at the improvement of safety on construction sites involve co-workers, contractors, consortium members, suppliers, as well as individual persons participating in the investment implementation.

Capital management in 2021:

- Development of the Human Resources Information System (HRIS).
- Continuation of programmes aimed at developing leadership and interdisciplinary skills.
- New development and training projects, such as: Grow Infinitely, Career Compass.
- Organisation of the Safety Week as well as remote safety training and webinars as part of the Young Engineer Academy and the Contract Manager Academy.
- On-line training for COVID-19 prevention.
- Implementation of employee engagement surveys.
- Update of the General Diversity Policy and adoption of the Board Diversity Policy.
- Active participation in the Agreement for Safety in Construction.

Results:

Measure	2020	2021	Change
Number of employees (at the end of the year) in persons	7,273	6,939	-4.6%
Percentage of employees hired for and undetermined time	62.5	65.8	+3.3 p.p.
Turnover indicator in %	2.8	4.7	+1.9 p.p.
Ratio of basic salary of women to men in %	No data available	83.7	X
Accident frequency rate (accidents at work per 1 000 employees) in units	18.4	16.2	-2.2

## Organisational capital

The organisational capital of the Budimex Group is its unique structure, which makes it possible to gather complementary skills, thus offering a wide range of services.

Budimex Group provides a safe workplace for both its employees and contractors, and has a modern stock of machinery and equipment necessary for the completion of contracts.

Capital management in 2021:

- Use of an Integrated Management System consisting of certified quality, occupational health and safety and environmental management systems.
- Work on modifying and updating the Strategy in ESG areas (to be continued in 2022).
- Reduction in the value of property, plant and equipment as a result of the sale of Budimex Nieruchomości Sp. z o.o.
- More than 93% of the Group's capital expenditure in 2021 in line with the EU Taxonomy of environmentally sustainable activities.

Results:

Measure	2020	2021	Change
Value of property, plant and equipment in PLN million	548.8	538.6	-1.9%
Acquisition of intangible and tangible fixed assets in PLN million	61.3	104.5	70.6%
Number of subcontractors initially assessed	820	722	-11.9%

## Intellectual capital

The Intellectual capital consists of unique technical solutions developed over the years as a result of research and development of work. It also includes the knowledge and skills of the Budimex Group's employees who create effective solutions allowing to ensure, among others, the safety of the Group's undertakings' recipients and the natural environment.

Capital management in 2021:

- Increase the company's innovation potential by working with start-ups.
- Identification of innovations through the R&D Tax Credit mechanism.
- Operation of the Innovation Zone, a platform for employees to submit, evaluate and implement ideas for improvement and innovation.
- Possession of 27 laboratory units for ongoing quality control of works and construction products at all stages of the project.

### Results:

Measure	2020	2021	Change
Intangible assets in PLN million (as of the end of 2021)	162.0	150.6	-7.1%
Average number of training hours per employee	8.2	15.2	+85.4%
Number of employees involved in innovation projects	177	223	+20%
Quality Conformance indicator	96.1%	94.9%	-1,2 p.p.

## Social capital

In the Budimex Group's understanding, social capital is the ability to build relations with its environment, i.e. with e.g. suppliers, subcontractors and local communities, which it supports e.g. through employee volunteering, sponsorship and donations.

Capital management in 2021:

- Conducting public consultations during the design phase to reduce the risk of social conflicts arising in connection with carrying out an investment.
- Compensation to local communities for inconvenience caused during the execution of contracts.
- Working with other companies, including competitors, to solve common industry problems.
- Development of original social programmes: Parent Zone. Budimex for Children and Hello ICE.
- Running the Grant for Volunteering programme and employee volunteering programme.
- Support for the implementation of educational, social and cultural projects: Discoverers of Diamonds, Slice of Bread Foundation, Great Orchestra of Christmas Aid).

### Results:

Measure	2020	2021	Change
Number of environmental conflicts that would halt construction work	0	0	0%
Income tax charged from the budget in PLN thousand	113,363	88,550	-21.9%
Value of donations in PLN thousand	4,094	1,889	-58.9%
Number of Grant for Volunteering share units	14	11	- 3 units



## Natural capital

For the Budimex Group natural capital is its influence (directly and indirectly) on the environment. The Group aims at reducing its impact on the environment (including climate), increasing the effectiveness of natural resources management and applies the principles of ecological responsibility in the supply chain. It protects the most valuable natural areas by properly planning and securing construction sites. It continuously monitors its impact on the environment, responding to any signals of potential threats.

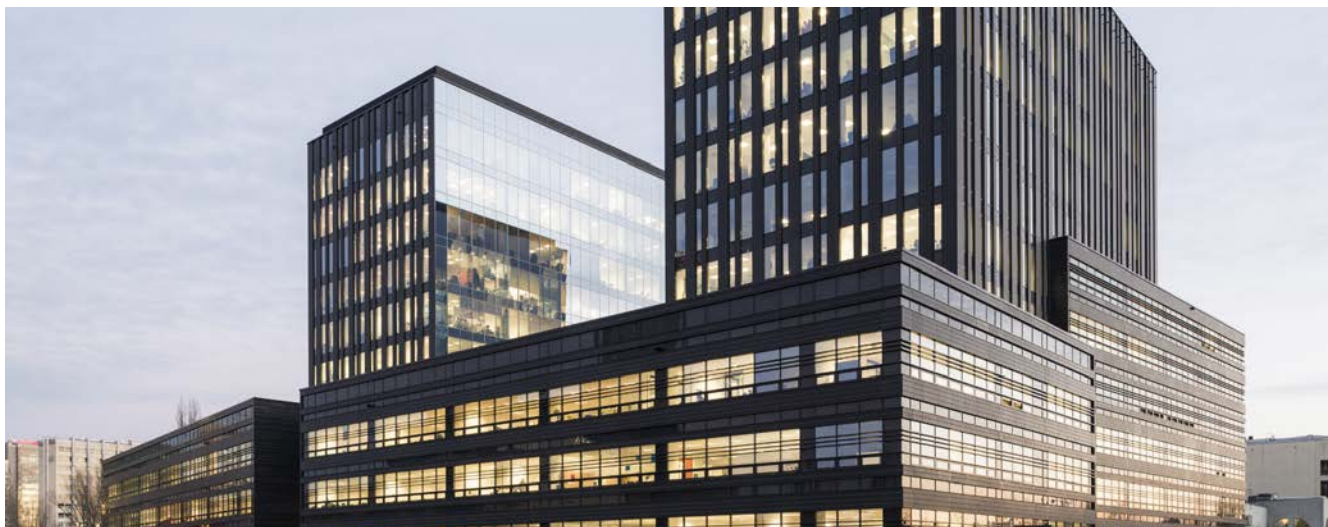
### Capital management in 2021:

- Identification and further analysis of climate change risks, according to AXIS methodology (risk categorisation according to Task Force on Climate-Related Disclosure guidelines and on definitions from ISO 3100)
- Recovery of secondary raw materials, land and soil.
- Implementation of the VE (value engineering) process at Budimex SA, allowing for optimisation of material consumption and reduction of the amount of waste produced.
- Distribution of information within the organisation on responsible purchasing.
- Subjecting all subcontractors to an initial qualification of complying with environment protection rules.
- Successive increase of the proportion of electric and hybrid vehicles in the vehicle fleet.

### Results:

Measure	2020	2021	Change
Total electricity consumption in MWh per 1 million PLN of sales revenue	3.58	3.01	-15.9%
Share of energy from renewable sources in total electricity consumption in %	16.0	29.7	+13.7 p.p.
Scope 1+2 marked GHG emissions in MgCO <sub>2</sub> e per PLN 1 million of sales revenue	14.25	10.67	-25.1%
Total water consumption in m per 1 million PLN of sales revenue	25.88	18.40	-28.9%

# The environment in which the Budimex Group operates



## The state of the construction sector in 2021

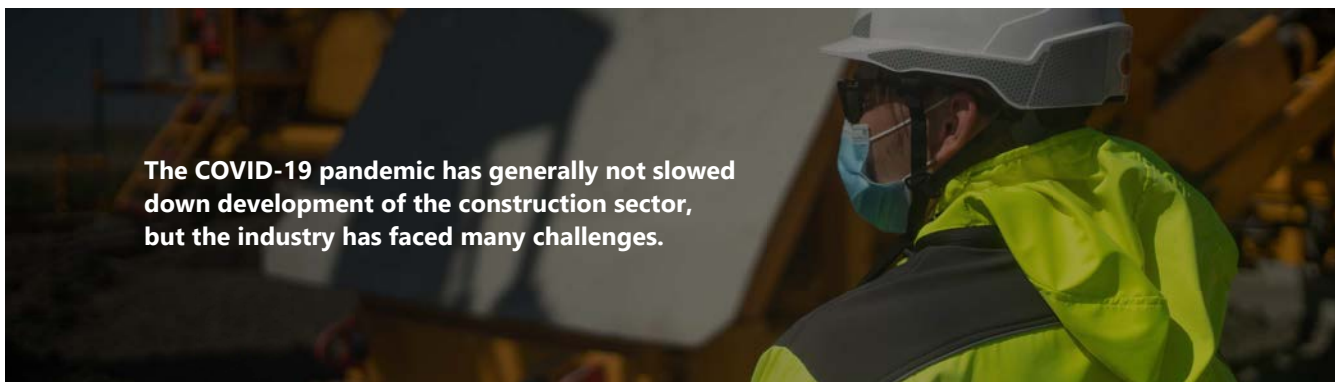
Poland's economy returned to growth in 2021, following the crisis caused by the COVID-19 pandemic. In 2021, the GDP grew by 5.7% compared to 2020, when it declined by 2.5%. Poland was among the few European countries where economic activity in 2021 exceeded pre-pandemic COVID-19 levels.

In 2021, the main growth creator was household consumption, which grew by 6.2% on an annual basis. There was also an increase in investment activity from quarter to quarter, mainly by companies. In 2021, gross fixed capital formation increased by 8.0% compared to the previous year (compared to a decrease of 9.0% in 2020). Similarly to the previous year, in 2021 the investment rate in the national economy (the ratio of gross fixed capital formation to gross domestic product at current prices) was 16.6%.

The problem of the Polish economy was high inflation. In December 2021, prices were 8.6% higher than a year earlier. On 6 October 2021, the Monetary Policy Council began tightening monetary policy and raised interest rates a total of three times by the end of 2021. As a result of these increases, the reference rate rose from 0.10% to 1.75% during 2021<sup>1</sup>. Increases in interest rates may significantly reduce the availability of credit, both for businesses and households (among other things by reducing demand in the property market).

In addition, economic activity in Poland and the level of inflation in 2021 were influenced by global phenomena, such as the increase in global commodity prices, the shortage of semiconductors, supply bottlenecks and the increase in transport prices. For example, since the beginning of 2021, steel prices have rocketed from levels of €500-600 per tonne to €1,130 per tonne in July 2021. In the second half of 2021, prices for steel fell slightly and by December 2021 were at around €950 per tonne.

In 2021 the value of construction and assembly production in current prices amounted to PLN 117.1 billion and grew by 7.9% compared to the previous year. This compares with a growth rate of 0.4% in 2020. Construction and assembly production in the field of volume construction (residential and non-residential buildings together) reached PLN 56.0 billion and increased by 5.0% in relation to the previous year. The upturn occurred in both residential and non-residential construction, where construction output rose by 7.2% and 3.7% respectively in 2021. In 2021, the value of infrastructure construction output was PLN 61.1 billion, i.e. it increased by 10.7% (including construction and assembly output in road construction 5.8%, and in rail construction 2.6%)<sup>2</sup>.

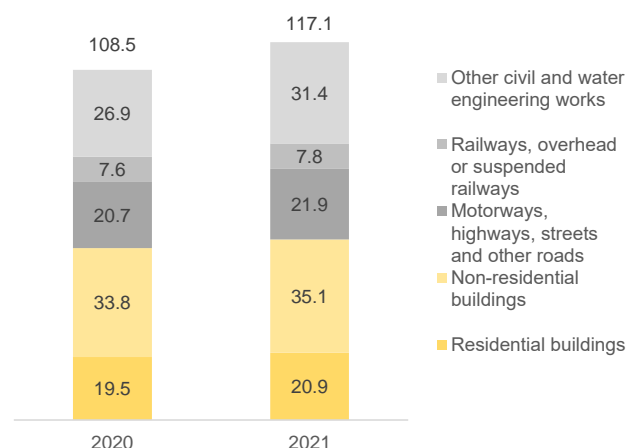


**The COVID-19 pandemic has generally not slowed down development of the construction sector, but the industry has faced many challenges.**

<sup>1</sup> During January-April 2022, the Monetary Policy Council raised interest rates four times, including the reference rate by 2.75 p.p.

<sup>2</sup> Source: GUS

## Construction and assembly production in PLN billion



Favourable trends in residential construction continued. In 2021, 234.7 thousand accommodations were put into use, i.e. by 6.3% more than in the previous year (when the growth was 6.5%). There was an increase in the number of accommodations completed in private construction (by 19.4%), while there was a decrease in construction meant for sale or rent (by 0.7%).

Despite maintaining the upward trend in production, the COVID-19 pandemic undoubtedly had an impact on the activities of the construction sector in Poland and took the form of:

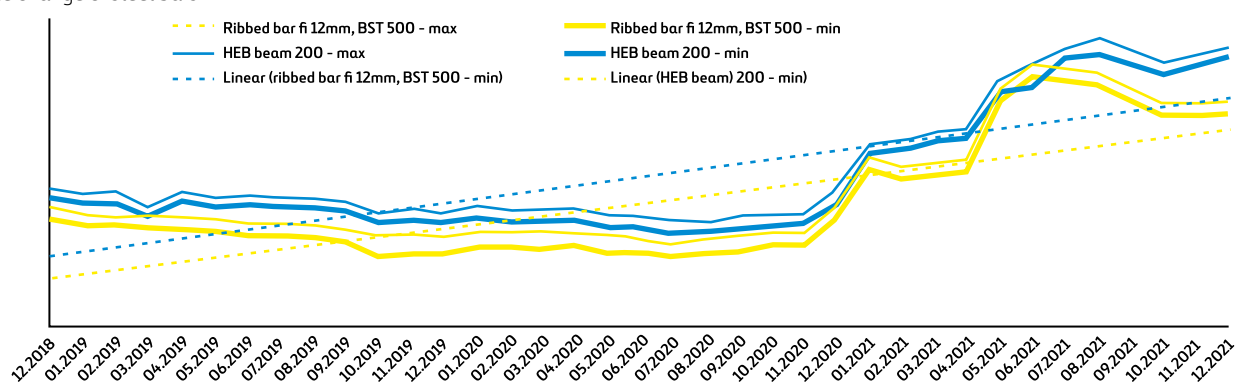
- disruption of supply chains;
- reduced availability of foreign workers, mainly of Ukrainian origin;
- slowdown of works resulting from the need to maintain the sanitary regime;
- protraction of administrative decisions on ongoing construction contracts and delays in announcing tenders for new infrastructure investments.

In order to limit the negative effects of increased prices of construction materials and wages on their profitability, companies increased the prices of construction contracts. Construction output prices were 7.6% higher in December 2021 compared to the same month of the previous year. Thus, the method of contract valorisation in force in 2021 may in many cases not have compensated for the sharp increase in prices.

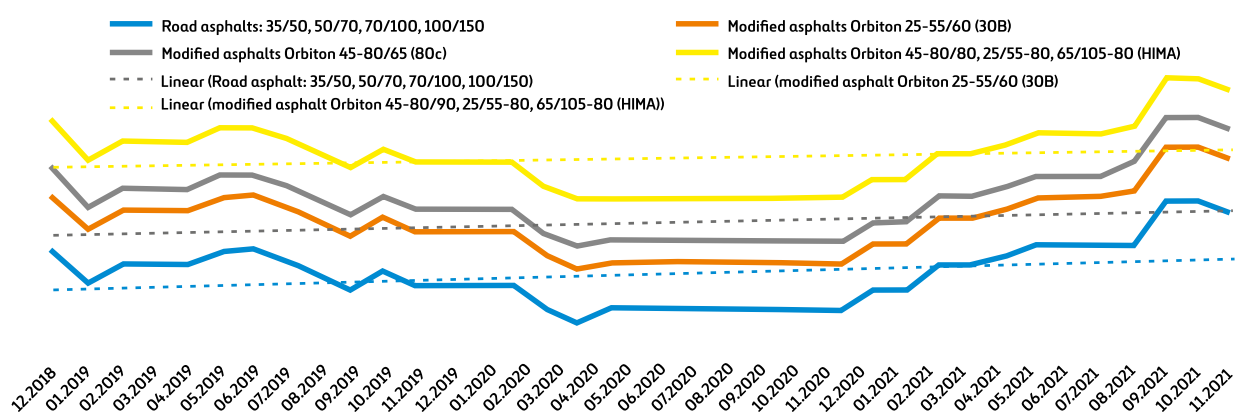
In 2021, average employment in construction was 419,800 people, slightly lower than in 2020 (by 0.2%). In December 2021, a construction worker received an average of £6,360 in wages compared to £5,800 paid a year earlier, meaning that average wages increased by 9.7% in 2021. The reasons for this increase can be found primarily in the growing demand for construction workers and wage pressure under the influence of rising inflation.

Despite production growth, overall sentiment in the construction industry deteriorated month on month. Companies most often indicated that constraints related to labour costs, material costs and the uncertainty of the overall economic situation were hindering their operations. According to entrepreneurs, capacity utilisation in the construction industry in December 2021 was around 83%.

## Price change of steel bars



## Changes in asphalt wholesale prices



Source Valorization and price changes on the market – recent data, GDDKiA, January 4, 2022

# The environment in which the Budimex Group operates



## Prospects of the construction market in Poland

According to the forecast published in mid-February 2022 by the Institute for Economic Forecasts and Analysis, Poland's GDP growth will reach 4.5%, mainly thanks to high dynamics recorded in the first half of the year

In March 2022, i.e. just after Russia's aggression against Ukraine, the NBP published a GDP growth forecast for Poland. It assumes that in the coming years at least part of the sanctions imposed on Russia will be maintained and, consequently, there will be no return in economic relations to the status quo from before the aggression. Consequently, for 2022 as a whole, growth in the major developed economies will be markedly lower than in the previous. At the same time, it assumed that the number of COVID-19 infections would fall and that future restrictions would no longer have a significant impact on demand and its feasibility in the domestic economy. With these assumptions, the NBP forecasts that Poland's GDP will grow by 4.4% in 2022.<sup>4</sup>

The main driver of GDP creation will remain household consumption, which is likely to grow by 4.6%. Its growth will be stimulated by the solutions of the Polish Deal programme introducing fundamental changes in the Polish tax system, which should result in a shift of demand towards lower income groups of households. Among other elements of the Programme, private consumption should be fostered by: increasing transfers to families within the framework of the Family Welfare Capital, support for housing purchases through a guarantee of own contribution, consumption expenditures of new migrants from Ukraine, protective allowances and temporary reduction of indirect taxes within the framework of Anti-inflation Shields. On the other hand, the expected high inflation and previous NBP interest rate hikes will adversely affect the purchasing power of households while increasing their propensity to

save. A deterioration in household sentiment as a result of the Russian military aggression against Ukraine may also have a downward effect on private consumption.

NBP predicts continued, albeit at a slower pace than in 2021, growth in corporate gross fixed capital formation. It should grow by 4.7% in 2022. The expected continuation of the rebuilding of the investment demand of enterprises is to be confirmed, among others, by the results of surveys, according to which the investment moods of companies were better than those recorded a year ago. At the same time, in the fourth quarter of 2021, the capacity utilization rate in most groups of companies was at a level similar to that recorded before the outbreak of the pandemic. An increase in capital expenditure by companies should also be stimulated by the low initial degree of automation and robotisation in Polish industry and rising labour costs. In contrast, domestic investment prospects will be negatively affected by the implications of Russia's military aggression against Ukraine, resulting in higher levels of uncertainty and a sharp rise in commodity prices. Increased exchange rate volatility and prolonged disruptions in supply chains will have an impact in the same way. At the same time, the NBP expects a weakening of the hitherto high demand for housing, inter alia due to the recent increase in NBP interest rates, translating into the availability and cost of credit. On the other hand, the path of residential investment will be positively influenced by the launch from 2022 of dedicated support for families for the purchase of a flat under the Polish Deal.

The key challenge of 2022 is likely to be further price increases. According to the NBP, in 2022 the average inflation rate will reach 10.8%, compared to 5.1% in 2021.

The economic situation in Poland in 2022 will be largely determined by the course of Russia's aggression against Ukraine.

<sup>4</sup> Source: Inflation Report – March 2022, NBP, 11 March 2022



Poland is the biggest beneficiary of EU funds from the perspective 2014–2020 (co-financing value of EUR 86.1 billion). According to the state at the end of January 2022, agreements were signed for co-financing projects with the total value of grants amounting to PLN 337.0 billion, i.e. 93.7% of the total available allocation of EU funds. In turn, the total value of beneficiaries' expenditures settled at the national level amounted to PLN 346.6 billion, including the EU co-financing of PLN 225.1 billion, which accounts for 62.6% of the allocation.<sup>5</sup>

In December 2021, the Polish government submitted a Partnership Agreement to the European Commission concerning the allocation of EU funds under the next financial perspective of the European Union falling in the period 2021–2027. The document is awaiting approval. The proposed value of funds allocated to Poland amounts to EUR 76 billion in current prices, compared to EUR 82.5 billion in current prices which were allocated to Poland under the previous financial perspective. The Infrastructure and Environment Programme (FENIKS) has been allocated €25.1 billion, compared to €27.4 billion in the previous financial perspective. Despite decrease in the value of allocations, Poland will remain the biggest beneficiary of EU funds. The expected scale of support in the area of infrastructure projects should allow the EU funds to maintain a significant role in the development of the Polish construction sector in the coming years. The forthcoming budget perspective will be the first in which railway investments will have priority over road investments. It will also be important to support infrastructure projects under the Connecting Europe Facility (CEF).

An additional source of investment funding may be the Reconstruction Fund. Under the subsidies, Poland will receive PLN 23.9 billion, including PLN 12 billion for transport projects on the railways and PLN 3.2 billion for roads. Additionally, Poland can apply for PLN 34.2 billion in the form of loans. The approval process for the National Reconstruction Programme governing the disbursement of the aforementioned funds has been protracted. At the time of preparing this report, it is difficult to assess the feasibility and timeliness of the implementation of the programme.

An important investment project that construction companies are counting on is the Central Communication Port (CPK) project – the construction of the Solidarity port. It is at the first stage of works, which will last until 2023 and is expected to cost PLN 13 billion. First field works have started in the area of the planned CPK. This involves examining the land and creating a detailed map of the site. In early 2021, the CPK entered into a strategic consulting agreement with Incheon Airport in Seoul. Over the course of 2021, South Korean experts provided analysis and studies, sharing experience gained from the design and construction of the Seoul hub. In October 2021, CPK concluded a master plan contract with Arup Polska, which was commissioned to carry out most of the planning work. In October 2021, the CPK company announced the largest framework procedure in Europe for the design documentation of the CPK rail program. The estimated value of the works is over PLN 7 billion. In January 2022, the bidding process for construction works at the Solidarity Port began. The aim of the bidding process is to select up to eight contractors to whom the CPK company will subcontract individual tasks under a simplified executive procedure. The estimated value of the contract is over PLN 1.7 billion. In addition to investment in airport infrastructure, the CPK construction plan calls for a number of rail and road investments. The government adopted a regulation on the list of investments accompanying the construction of CPK.

## Road construction

The forecasts for the road construction market are good. Regardless of the macroeconomic situation, the number and value of investments by the GDDKiA are constantly at a high level.

The General Directorate for National Roads and Motorways (GDDKiA) is responsible for the process of preparing highway construction investments for the final stage (road works and their supervision) in Poland.

In 2021, the key programme that regulated the directions of development of the national road network was the National Roads Construction Programme for 2014–2023 (with an outlook to 2025). The expenditure limit for the National Road Fund has been increased to PLN 163.9 billion in 2020.

In 2021, the General Directorate for National Roads and Motorways (GDDKiA) commissioned 425 km of new roads compared to 140 km commissioned in 2020. Investment expenditure of the General Directorate for National Roads and Motorways amounted to PLN 15.1 billion. In addition, it signed 46 contracts for roads with a total length of 555 km and a value of PLN 16.8 billion, of which 35 contracts are tasks from the PBDK with a total length of 465 km and a value of over PLN 15.3 billion, and 11 are bypasses from the Programme for the Construction of 100 bypasses with a length of 90.1 km and a value of nearly PLN 1.5 billion. At the end of 2021, the order portfolios of the largest contracting companies in Poland will have reached their historically highest volumes.

In 2021, however, the number of bids announced by the General Directorate for National Roads and Motorways (GDDKiA) has decreased. Bids were announced for 27 sections with a total length of about 334 km and a value of over PLN 15 billion (25 tasks from PBDK with a total length of 325.3 km and 2 bypasses from the Programme for the Construction of 100 Bypasses for 2020–2030 with a total length of 9 km). In comparison, 48 bids were issued in 2020 for sections with a total length of 600 km. In 2021, for the second year in a row, there was a decrease in the value of bids submitted by contractors in relation to the investor's budget to 76% on average (compared to 82% in 2020).

In August 2021, the Ministry of Infrastructure presented a draft of the Government Programme for the Construction of National Roads until 2030 (with an outlook until 2033). The programme assumes, among other things, the construction of 2,500 km of new expressways. The main objective of the programme is to complete the entire motorway and expressway network in Poland, i.e. the missing sections of S10, S11, S12, S16, S74 and the border section of the A2. A total amount of approximately PLN 292 billion will be allocated for the implementation of the investments included in the new programme. It is the biggest road programme in Poland's history. The financial limit includes new

<sup>5</sup> Source: Ministry of Funds and Regional Policy



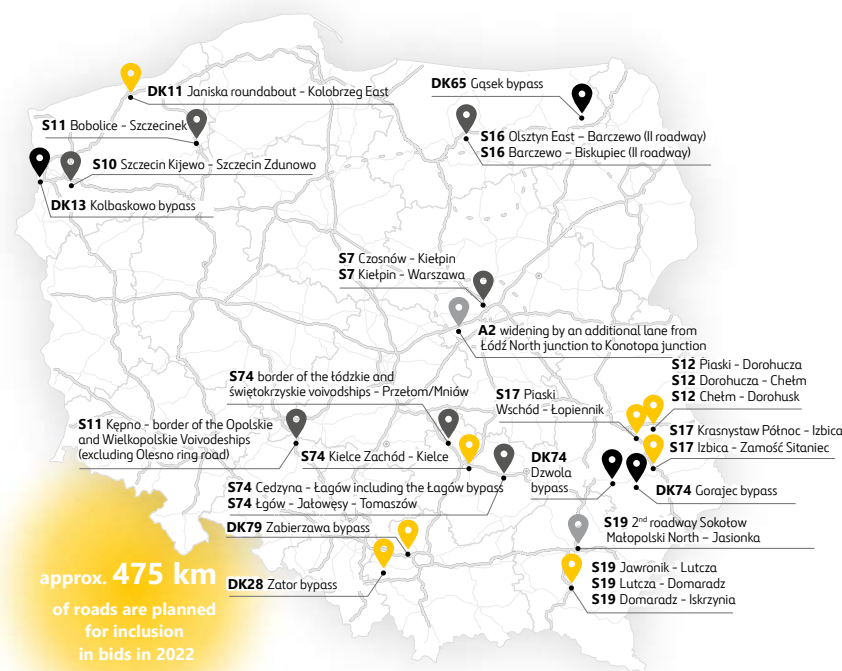
tasks worth about PLN 187 billion and continued tasks worth about PLN 105 billion. The most important investments planned under the National Roads Construction Programme until 2030 are: widening of the A4 motorway at the length of 370 km between Krzyżowa and Tarnów with the estimated cost of PLN 35.5 billion, construction of the Warsaw Agglomeration Ring Road within the A50 S50 at the length of 260 km and value of PLN 35 billion as well as adding the third lane on the A2 motorway between Konotopa and Łódź.

The General Directorate for National Roads and Motorways (GDDKiA) has presented six corridor alternatives for the planned section of the S7 road between Kraków and Myślenice, about 20 km long. The cost of construction, depending on the variant, ranges from 4.6 to 6.5 billion PLN. This is currently the only section of the S7 road leading from Gdańsk to Rabka Zdrój for which not even design work has begun. December 2021 saw the start of consultations between the General Directorate for National Roads and Motorways (GDDKiA) and contrac-

tors regarding the development of traffic maintenance issues during the planned extension of the third lane on the 90 km section of the A2 motorway between Konotopa and Łódź. In 2022 it is planned to obtain financing for the investment and launch a bid for its construction. Also this year, an analysis will begin on the possibility of adding a third lane to the A1 motorway along a 34.8 km section between Włocławek and Toruń. The estimated cost of the investment is PLN 490 million.

In 2022 an announcement of the bidding for the expansion of roads for tasks with a total length of 475 km and a value of about PLN 22.5 billion. The largest tasks will be the construction of the 61 km long S12 road between Piaski and Dorohusk and the 45 km long S17 road between Piaski and Hrebenne. In addition, it is planned to complete the renovation of 323 km of roads at an estimated cost of PLN 400 million. These include a 33-kilometre section of the A4 motorway between Góra św. Anny – the border of the Silesian and Opole provinces, and a 12-kilometre section of the S86 road Sosnowiec – Katowice.

**The plans include bidding for new road sections as well as bids for operations on the existing road network, including upgrades, extensions and measures to improve road safety.**



## Construction programme

of 100 bypasses for the 2020-2030 period

**4**

tasks with a total length of **18.7 km**

## National Roads Construction Programme

tasks awaiting funding

**10**

tasks with a total length of **204.4 km**

## National Roads

### Construction Programme

- tasks awaiting funding

**13**

tasks with a total length of **149.3 km**

## Outside

the National Roads Construction Programme

**A2** Widening Łódź North – Konotopa (approx. 88km) -without funding

**S19** Sokółów Małopolski North – Jasienka – II roadway (approx. 15 km) - with funding

**2**

tasks with a total length of **103 km**

Source: GDDKiA

As part of the construction of the Central Railway Port, 400 km of new expressways are planned, including the construction of the Warsaw Agglomeration Ring Road (S50) and the S10 road between Toruń and Naruszewo.

Aware of the scale of the increase in prices of raw materials and construction materials, in February 2022 the Ministry of Infrastructure introduced a change in the system of valorisation of road contracts and

increased the limit of valorisation from 5% to 10%. The increase of the limit will be in force for tenders announced in 2022 for tasks implemented in the Design & Build system. The equal sharing of risk between investors and contractors remains unchanged.

The GDDKiA is working intensively on the implementation of a contractor certification system, which could be introduced as early as 2023.

## Railway construction

Despite the current stagnation, long-term prospects for the railway construction industry in Poland are positive.

The company responsible for the management of the national railway network, currently amounting to 19,000 km, is PKP Polskie Linie Kolejowe S.A.

The development of the railway construction sector in Poland is possible mainly thanks to the PLN 77 billion National Railway Programme (KPK), which includes investments on railway lines subsidised by the Ministry of Infrastructure. It was prepared for the period from 2016 to 2023, i.e. until the end of the possibility of financing projects under the European Union's financial perspective 2014-2020. The KPK shall specify the volume and sources of funding, including EU and national resources.

According to PKP PLK, at the end of 2021, the advancement of KPK in terms of the value of completed and ongoing investments totalled 92.8%. The investment, worth PLN 20.4 billion has been completed. Investments worth PLN 50.8 billion were in progress at various levels of advancement. Railway investments are completed on average in 2-3 years, this means that contractors have a guaranteed work front until mid-2023.

The value of the order portfolio of contractors specialising in railway investment is steadily decreasing. In 2021 there was a halt in announcing new bids – according to PKP PLK – investments worth PLN 2.5 billion were at the bidding stage. Some companies operating in the rail construction sector are beginning to experience liquidity problems due to a shortage of new orders.

The short-term outlook for the development of railway construction in Poland is relatively uncertain due to the risk of Poland not receiving EU funds under the National Reconstruction Plan, which is expected to be an important source of funding for investment in railway infrastructure. Moreover, although the new EU financial perspective started in 2021, its key operational programmes have still not been approved.

According to PKP PLK, the company is prepared to announce new bids in case of approval of financial plans under the National Reconstruction Plan and the new EU perspective. Documentation for the planned investments is ready. In 2022 PKP PLK plans to initiate proceedings for an estimated amount of about PLN 11-12 billion.

In November 2021, the Council of Ministers adopted a resolution to update the KPK. The KPK's expenditure planned for 2022 is PLN 15,360 million (compared to PLN 11,288 million in 2021).

In January 2022, PKP PLK announced bidding procedures for five investments with a total value of approximately PLN 5.9 billion. Announced tenders include reconstruction of: the Będzin – Katowice Szopienice section (worth about PLN 0.8 billion), the Tychy – Wisła Bridge section (direction Czechowice-Dziedzice, PLN 1 billion), the Zabrzeg – Zebrzydowice – Czech border section (PLN 1.9 billion), the Poznań bypass railway (PLN 1.6 billion) and the Skupsk station (PLN 0.6 billion). Four of the five investments have applied for the Connecting Europe CEF 2 funding. According to PKP PLK, contracts with contractors will be signed in autumn of 2022. Further major bids were announced in February of 2022. 47 applications with an estimated value of PLN 18 billion were qualified for the final selection stage of the Local and Regional Rail Infrastructure Completion Programme – Rail Plus Programme. The total value of the programme is PLN 6.6 billion, although the Ministry of Infrastructure has announced an increase in its budget. The investment should be completed in 2028.

In addition, PKP S.A. runs the Station Investment Programme for 2016-2023, which includes 189 station investments for a total of PLN 1.6 billion. In 2021, 21 railway stations were commissioned (a total of 44 stations were commissioned). As for the remaining investments planned under this programme: 53% of the investments are at the construction stage, 30% at the design stage and 17% at the preparation stage.

The long-term perspective for the development of railway construction in Poland is favourable, taking into account the possibilities of co-financing investments within the framework of FEnKS and the CEF programme, as well as the plans to build railway lines as part of the construction of the Central Railway Port (CPK).

A total of 1789 km of railway lines are to be built as part of the CPK Programme. The CPK company announced procedures for the so-called Contract Engineer. It concerns services related to the construction of railway "spokes" throughout Poland. The estimated value of the framework agreement is PLN 2.5 billion and it is to be valid for a period of eight years. It has also signed an agreement for a feasibility study on the High Speed Railway from the CPK node – i.e. Solidarity Airport – via Płock to Włocławek. This over 120-kilometre section is part of the so-called CMK-North, i.e. the extension of the Central Railway Line towards Kujawy and the Tricity.

## Railway investments related to the Central Railway Port



Source: [www.cpk.pl](http://www.cpk.pl)

## Water construction

Investments in the area of water construction are gradually being prepared. As for port projects, three major investments are planned in container terminals in Gdańsk, Gdynia and Świnoujście. The total investment in seaports is estimated at over PLN 20 billion. A strategic advisor has been appointed for the Port of Gdańsk. In the case of the port of Świnoujście, the process of selecting the company that will build the container terminal is underway. The Industrial Development Agency, Baltic Gateway and Deme Concessions are planning to invest PLN 3 billion. In turn, the offshore Port of Gdynia was selected by the Council of Ministers in 2021 as the optimum location for an installation terminal intended for the organisation of the process of construction and operation of offshore wind farms in the Baltic Sea. At the end of November 2021, the Port of Gdynia received the environmental decision for the construction project of the External Port.

In 2021, investments were started on the Oder Waterway. The entire project will cover the E30 waterway on the Oder River from the Czech border to Świnoujście. In addition, investments are planned in the E40 waterway covering the Vistula from Gdańsk to Warsaw, the Narew and the Bug, and the E70 waterway covering the Oder from the Oder-Havel Canal to Kostrzyn, the Vistula-Odra waterway, the Lower Vistula and the Szkarpa. The estimated cost of investment in the development of water transport infrastructure is over 77 billion PLN.

# Energy construction

**The needs in terms of implementing the expansion and modernisation of energy facilities and infrastructure are enormous. The estimated value of ongoing and planned energy and industrial investments until 2026 amounts to PLN 253 billion.**

The energy construction market can be divided into three segments:

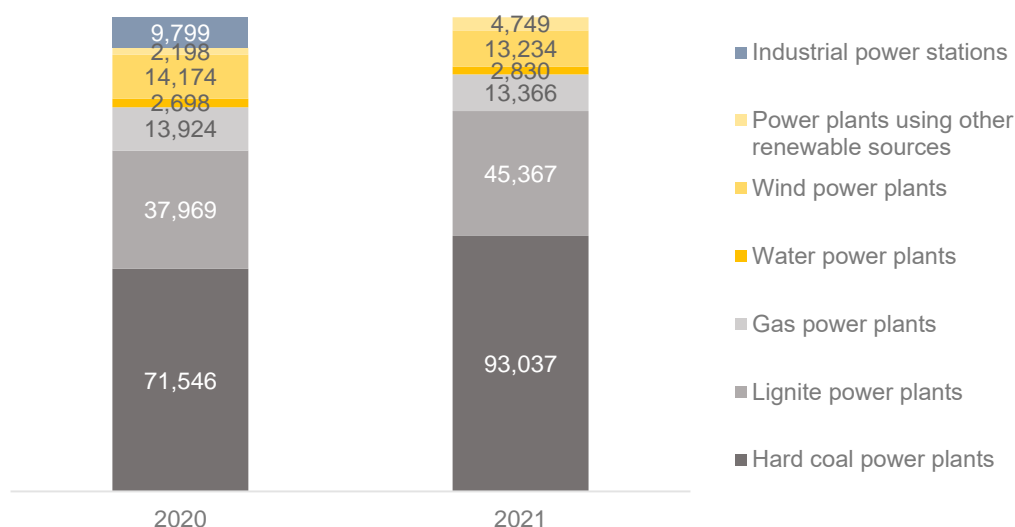
- transmission and distribution of electricity,
- electricity generation,
- transmission and distribution of gas.

Good news comes from the electricity transmission market, where the Polish Power Grid (PSE) announces further investments. The President of the URE approved the Development Plan for Meeting Current and Future Electricity Demand for 2021-2030. The total investment outlays anticipated therein amount to approximately PLN 14 billion in 2019 prices. In February of 2021 research on the seabed of the Baltic Sea began. In 2022, work is expected to begin on the Kozienice – Mitośna line,

for the construction of which PSE has already received environmental approval. In the next 10 years, PSE promises to invest approximately PLN 950 million in transmission infrastructure in Lower Silesia.

In 2021, the domestic energy market was most influenced by events on the European market, including above all the increase in the price of CO<sub>2</sub> emission certificates and gas prices. Price pressures are forcing countries such as Poland to accelerate their energy transformation, which is currently unsuited to the available low-emission technologies. In this context, the use of renewable energy sources is becoming increasingly important. In 2021, Poland was a net importer of electricity, however, it is noteworthy that during the year the advantage of import over export decreased from 13 224 GWh to 820 GWh.

Electricity production in Poland In GWh



Source: based on PSE data, from the beginning of 2021, the output of industrial power plants is included in the individual categories of utility power plants.

The size and structure of energy investments are determined by Poland's energy policy. In February 2021, the Council of Ministers adopted the Energy Policy of Poland until 2040 (PEP 2040). The document sets out the directions for the development of the energy sector.

The strategy is to be based on three pillars: equitable transformation of all regions, zero-emission energy systems and good air quality. In terms of the energy mix, it aims to achieve the following indicators in 2030:

- no more than 56% coal in electricity generation,
- at least 23% RES in gross final energy consumption.

Greenhouse gas emissions should fall by 30% by 2023 compared to 1990. Poland will strive to ensure the ability to meet demand for power from its own sources, while allowing unimpeded cross-border exchange.

Poland's Energy Policy until 2040 assumes that Poland's first nuclear power plant will be built by 2033. In 2021 it was decided that the nuclear power plant would be located at Lubiatowo-Kopalino in the commune of Choczewo (wejherowski district, Pomorskie voivodship). In 2033, the first nuclear power plant unit with a capacity of about 1-1.6 GW should be in operation. Subsequent units will be commis-

sioned every 2–3 years, and the entire nuclear programme assumes construction of 6 units.

There is growing interest among Polish companies in small nuclear power plants. In 2021, the first two contracts for the construction of modern small modular nuclear power plants were signed. It is also worth noting that in December 2021 the Polish Hydrogen Strategy until 2030 with an outlook until 2040 was published.

Poland is now facing the start of the extinction of its oldest coal-fired power units. PGE and Tauron have already decommissioned coal-fired units with a total capacity of over 1,800 MW in 2021. The activities of energy companies are focused on the implementation of investments aiming at climate neutrality. Among other things, PGE is preparing a project for the largest offshore wind farm in the Baltic Sea and is working on the construction of two gas and steam units at the Dolna Odra Power Plant. Another important event in the energy sector is the merger of Orlen, Lotos and PGNiG. The creation of a multi-energy company may become an unprecedented event on the domestic market, which may change the balance of power on the map of European energy interests.

In June 2021, the Energy Regulatory Office presented a document entitled Information on investment plans in new generation capacities in 2020–2034. The analysis of data obtained by URE indicates that in 2020–2034, energy companies plan to commission a total of over 14.2 GW of new generation capacity. At the same time, the number of planned decommissioning capacities in this period amounts to approximately 18.8 GW.

The reasons for the abandonment of generating units include the lack of possibility or justification for adjustment to increasingly higher environmental requirements resulting from, inter alia, the BAT conclusions, the age and level of use of the units, as well as the level of economic efficiency of the operation of individual units. The generators surveyed planned total investment outlays in new generation capacities at a level of about PLN 76 billion (in current prices) in the 2020–2034 period, of which about 60% of the planned total outlays will be for off-shore wind generation units and about 15% for natural gas-fired units.

PEP 2040 predicts offshore power plants with a power of 5.9 GW will be built by 2030. The current law on wind power investments from the 20th of May 2016 introduced one of the most restrictive distance rules in Europe – the so-called 10H rule, i.e. ten times the height of a wind power plant as the minimum distance of a new investment from existing residential buildings and forms of nature protection. It was a response to social discontent in some parts of the country related to the rapid development of wind power plants. It resulted in limiting the possibility to locate new wind power plants and initiate new wind farm projects, as well as blocking residential development in the vicinity of existing power plants. Work is currently underway to amend this law in order to unblock wind energy development.

The Ministry of Climate and Environment, the National Fund for Environmental Protection and Water Management and PGE will take joint action to develop pumped storage power plants. A letter of intent to this effect was signed on 22 October 2021. Several sites with conditions favourable for the construction of pumped storage power plants have been identified. The PGE Group owns the project of a pumped storage power plant Młoty with a capacity of approx. 750 MW in the Dolnośląskie Voivodship.

Russia's attack on Ukraine has led to increasing calls for independence from natural gas imports from Russia, which currently supplies around 60% of all imports.

In order to increase the use of gas in the economy, it is crucial to develop the infrastructure for its supply and storage. PEP 2040 assumes that in the coming years the share of LNG in the consumption of natural gas in Poland may reach even 30%, which will result in the development of LNG and transmission infrastructure at the borders with other countries, i.e.:

- expansion of the LNG terminal in Świnoujście to a throughput (reception and regasification) of 8.3 bcm per year;
- construction of a natural gas regasification terminal in the Gulf of Gdańsk (FSRU), the first stage providing a throughput of at least 4.5 bcm is scheduled for start-up after 2025;
- construction of the Baltic Pipe – a gas pipeline between the gas fields on the Norwegian Continental Shelf and Poland consisting of the Norway–Denmark and Denmark–Poland connections (offshore connection) as well as the expansion of the Polish and Danish transmission systems; the investment is to be completed by October 2022, enabling import of 10 bcm of natural gas and export of 3 bcm;
- building a connection with Slovakia, with an import capacity of 5.7 bcm and an export capacity of 4.7 bcm per year;
- construction of a connection with Lithuania (GIPL) with an import capacity of 1.9 bcm and export capacity of 2.4 bcm per year;
- projects for new gas cross-border interconnections Poland–Czech Republic and Poland–Ukraine;
- expansion of the national natural gas transmission and distribution networks;
- projects using liquefied natural gas regasification stations with local island networks (so-called virtual LNG pipelines);
- expansion of capacity and offtake from underground gas storage to a minimum of 4 bcm by the winter season 2030/2031.

Thus, the prospects for energy and industrial construction in Poland are good. The estimated value of ongoing and planned investments until 2026 is PLN 253 billion, of which PLN 30 billion is for investments under construction and the remainder for investments that are at the stage of bidding or planning.



# Public-private partnerships



Budimex is still interested in carrying out projects under the public-private partnership (PPP) formula. However, there are still few PPP bids in the Polish market for investments of significant value.

Data obtained by the central government PPP unit in the Ministry of Funds and Regional Policy confirm that uncertainty about the financial and economic outlook has, among other things, negatively affected interest in public investment. The lack of appetite for using the PPP formula was further exacerbated by the end of the 2014-2020 financial perspective and delays in accessing new sources of funding, including from the National Recovery Plan.

In 2021, 10 PPP agreements worth a total of PLN 172 million were signed, compared to 13 agreements worth over PLN 1 billion concluded in 2020. As regards PPP proceedings, in 2021, 24 proceedings were initiated (in 2020-31) with a total value of PLN 627 million (in 2020 - PLN 3.8 billion), including: six in the revitalisation sector, five in the transport infrastructure sector, four in the water and sewage management sector,

three proceedings each in the energy efficiency and sports and tourism sectors, as well as one project in the education sector and two in other categories.<sup>6</sup>

As in previous years, in 2021 PPPs were mainly developed by local governments.

At the end of 2021, the database of Potential PPP Projects contained 66 projects, of which 40 were at the pre-announcement stage, while the remaining 26 projects were at the stage of ongoing proceedings. Among the projects in the pipeline there were government projects supported by the Ministry of Funds and Regional Policy, i.e. the project concerning the construction of the External Port in the Port of Gdynia worth nearly PLN 4 billion, and the project for the construction and maintenance of state archives worth approximately PLN 300 million. The largest number of potential projects concerned the sector of transport infrastructure (12), revitalisation, public buildings and sport and tourism (9 investments each) and energy efficiency (8).

<sup>6</sup> Source: PPP Market Report 2009-2021, Ministry of Funds and Regional Policy

# The Budimex Group's strategy



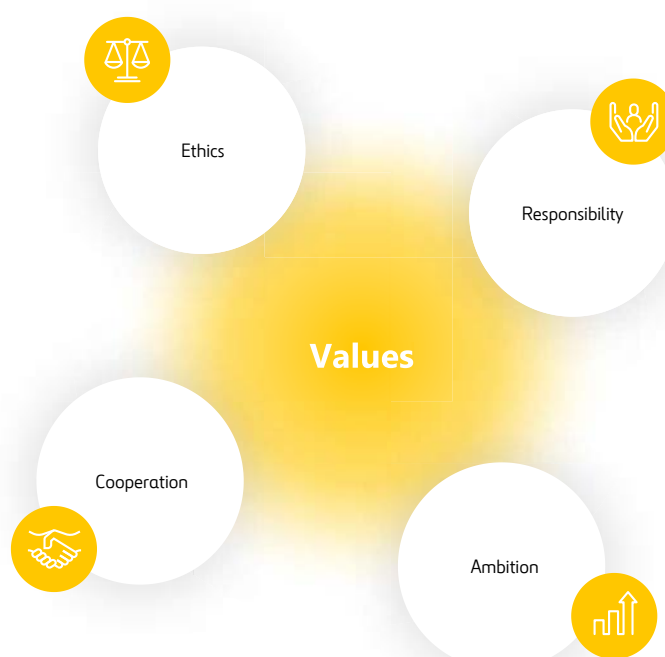
## The Budimex Group's values

Budimex's mission is to execute construction investments – including development projects – in a way worthy of the market leader, with respect for the natural environment and ethics, taking care of clients' satisfaction and users' comfort. All that is achieved by Budimex thanks to professionalism and passion for construction, high efficiency of operation as well as partner relations with suppliers and subcontractors.

The overriding mission of the Budimex Group is to execute construction investments in line with sustainable development principles. The values adopted as the basis for conduct in the Budimex Group result from the assumptions of the CSR Strategy 2021-2023 of the Budimex Group and are consistent with the key ESG areas. Particular care in ethical conduct, care for health and safety, optimisation of environmental impact and ensuring customer satisfaction and quality of services delivered are achieved thanks to professionalism resulting from experience and passion for construction. Relations with business partners, subcontractors and suppliers are undeniably an important value for the Budimex Group.

Experience and diversity resulting from these relations continuously enrich the organisational culture of the Budimex Group.

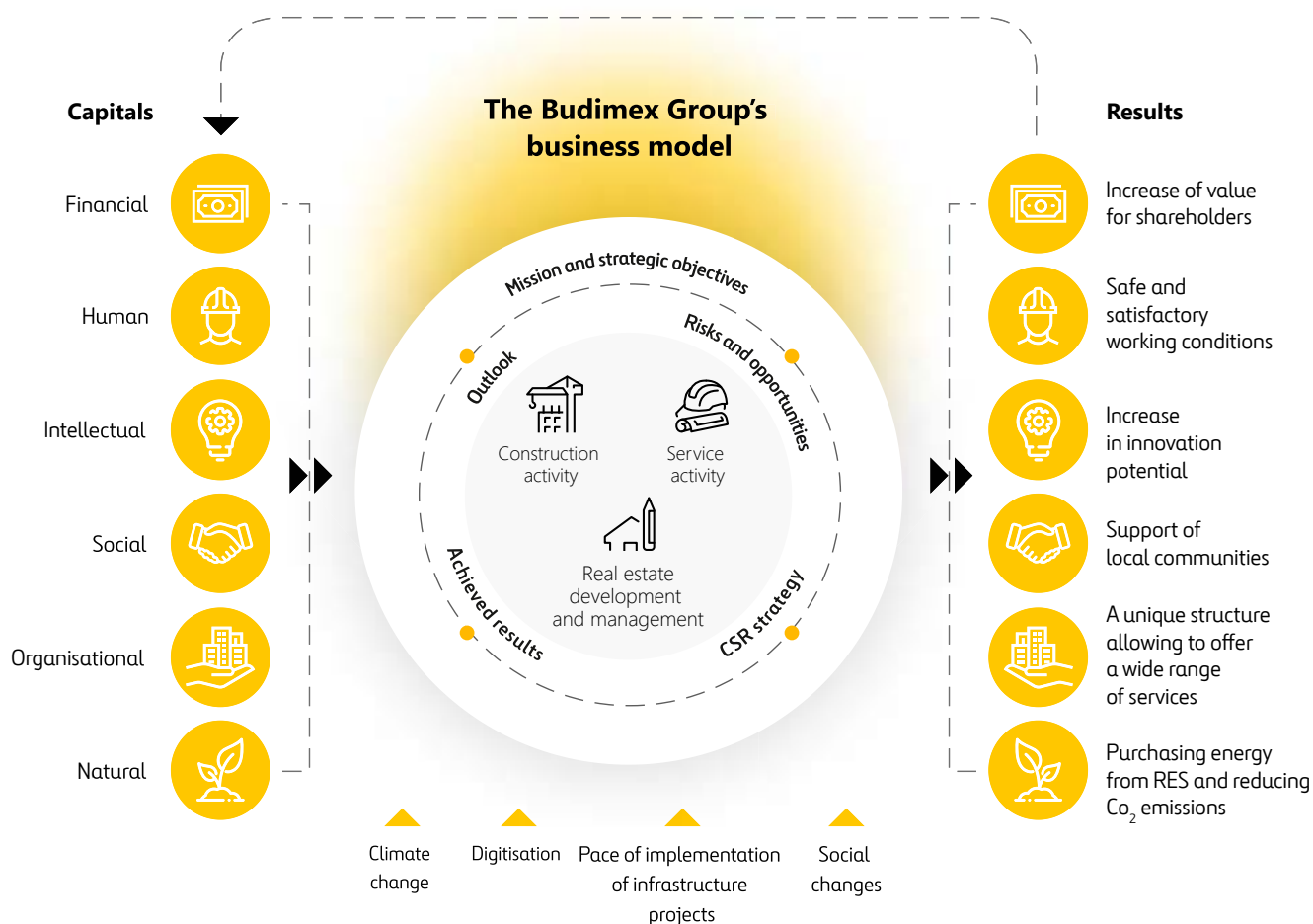
The Management Board of Budimex SA undertakes actions aimed at steady growth of the company's value for all shareholders and determines development directions, although it has not formalized this in the form of a strategy document. In the perspective of the forthcoming financial year, the activities of the Budimex Group will be focused on increasing the margins of its order portfolio and obtaining new, profitable construction contracts also on foreign markets. In the long run, the Management Board of Budimex SA aims at the diversification of construction activities (e.g. increasing presence in railway or hydrotechnical market segments) as well as the development of investment activities and services related to road, railway, RES and general construction infrastructure (e.g. projects in the formula of Public-Private Partnership, infrastructure maintenance or municipal waste management).



# The Budimex Group's strategy

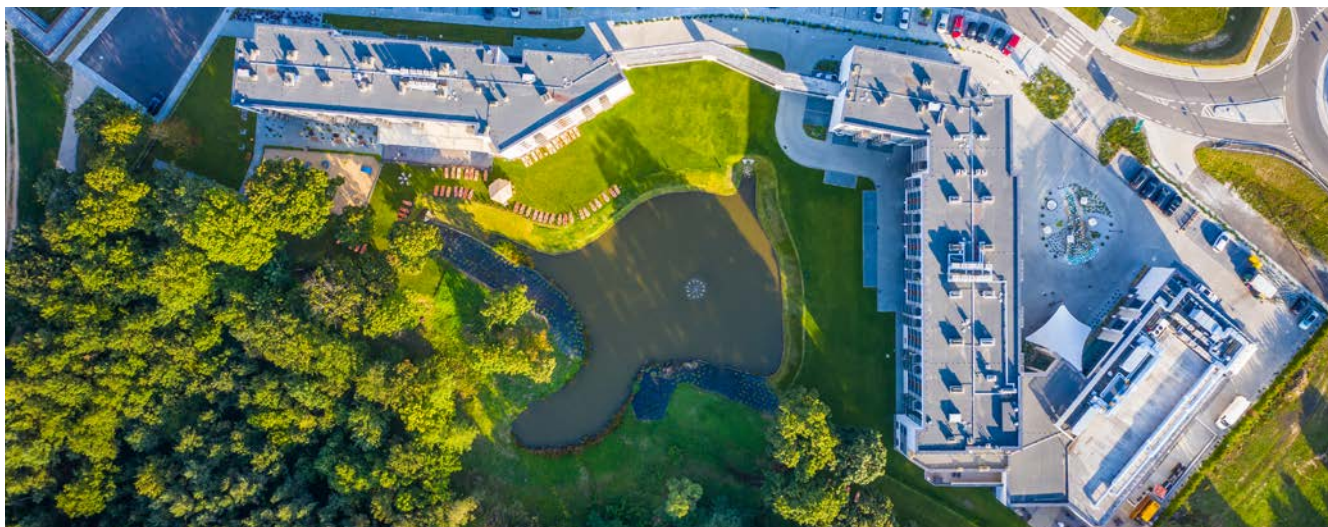


## [GRI 2-6] The Budimex Group value chain





# The Budimex Group's strategy



## CSR strategy 2021-2023

The Budimex Group is guided in its activities by the principles of sustainable development, taking into account the needs of local communities and the natural environment. The aim of the “Budimex CSR Strategy for 2021-2023” is to increase the company’s positive impact on society and the natural environment and to reduce the negative impact, in accordance with the adopted definitions of corporate social responsibility and sustainable development. The “CSR Strategy of Budimex for 2021-2023” has been developed by dividing it into 6 key areas of responsibility



Throughout 2021, we have contributed to the following UN Sustainable Development Goals:



## Realisation of the objectives of the CSR Strategy for 2021

Area	Aim	Measure	Outcome in 2021 (Budimex Group)
Occupational health and safety	The elimination of fatal accidents and reduction of the severity and frequency of accidents among the company's employees and subcontractors	Accident frequency rate	16.2 (decrease by 11.9% from 18.4 in 2020)
		Number of fatal accidents	0
Environmental protection	Reducing greenhouse gas emissions	Share of electricity from renewable energy sources	29.69%
	Minimising water consumption	m <sup>3</sup> of water per PLN million of revenue	18.4
Employee development	Combating all forms of discrimination based on gender	Percentage of women in managerial positions	29.83%
	Providing students with access to practical knowledge	The measure of realization is the constantly enriched training offer of the Budimex Group.	
Quality and innovation	Increasing the innovative potential of the company through cooperation with start-ups	Implementation is measured by the continued commitment to innovative projects.	
	Maintaining a high quality of construction	Quality Conformance Indicators	94.9% (pass mark above 94%)



# The Budimex Group in 2021



## Outlets

### Segments of activity

#### Construction

In 2021, the construction market in Poland (measured by the value of sales of construction and assembly production at current prices) increased by 7.9% compared to the previous year, including a 10.7% increase in the infrastructure construction sector and a 5.0% increase in the volume construction sector.

In 2021, income of the Budimex Group's construction segment amounted to PLN 7,282,424 thousand, compared with PLN 7,539,404 thousand in the previous year (decrease by 3.4%). At the same time, the revenue structure of this segment changed, i.e.

- The share of infrastructure construction fell from 44.4% in 2020 to 36.7% in 2021.
- Thanks to the acquisition of new rail contracts in previous years, the revenue participation of rail construction in 2021 was 27.2% compared to 20.9% in the previous year.
- The share of cubature construction (residential and non-residential combined) increased from 34.7% in 2020 to 36.1% in 2021.

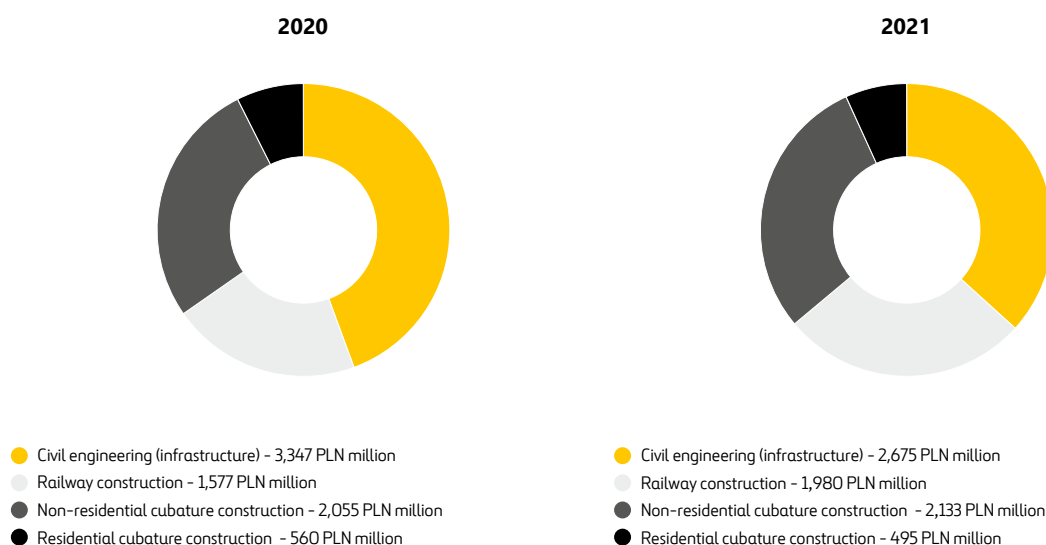
**The Budimex Group operates in many segments of the construction market and the structure of its income from these activities is diversified.**



**Revenue of the  
Construction segment**

**PLN 7,282,424**  
thousand

## Income of the construction segment of the Budimex Group in PLN million



## Real estate development activities (discontinued)

At the beginning of the second half of 2020, the Management Board of Budimex SA decided to initiate a review of strategic options of the real estate development segment. As a result of the completion of the process, on 22 February 2021 Budimex SA concluded a conditional agreement on the sale of 100% of shares in Budimex Nieruchomości Sp. z o.o. to CP Developer S.ar.l. Subsequently, on the 24th of May 2021, the Company signed a disposal agreement regarding the disposal of all shares in Budimex Nieruchomości Sp. z o.o. to CP Developer S.ar.l. The Budimex Group recognized in the consolidated financial statements for 2021 the net profit resulting from the settlement of the sale of development activities in the amount of PLN 487,541 thousand..

## Service activities

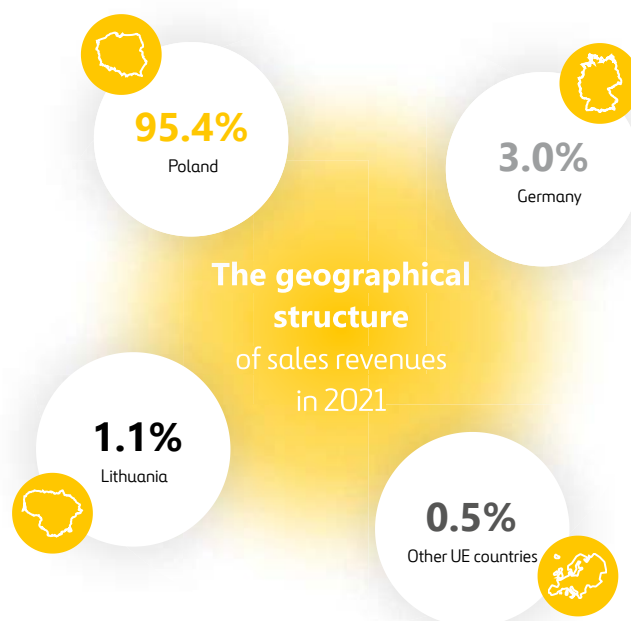
In 2021, the Budimex Group's revenues from service activities, which include waste management services, maintenance of road infrastructure, extension and management of lighting infrastructure and technical maintenance of real estate, increased significantly. They were 27.9% higher than in 2020.

## The geographical structure of sales revenues

The dominant part of Budimex Group's sales revenue was generated in Poland. In 2021, the share of domestic customers in the Group's sales revenue amounted to 95.4%. Other clients of the Group came from the European Union, mainly from Germany and Lithuania.

As part of its activities in the German market, in 2021 the Group mainly performed workshop work (prefabrication and metal work). At the same time, in the second half of the year it also started construction activities there, including a contract in road infrastructure.

The geographical structure of sales revenues in 2021 in %





# The Budimex Group in 2021



## Major contracts

### INFRASTRUCTURE CONSTRUCTION

#### S19 Kamień – Podgórze

In 2021, Budimex commissioned an over 10-km section of the S19 expressway in the Podkarpackie voivodeship. The investment included the construction of a two-lane expressway with emergency lanes, access roads connecting it with the existing road network, noise barriers, animal crossings, green belts, seven viaducts, five bridges and five culverts of ecological function.

#### S3 Brzozowo – Miękowo & Miękowo – Rzęśnica

In 2021, Budimex completed the construction of two sections of the S3 expressway: Brzozowo – Miękowo with a length of 22.14 km and Miękowo – Rzęśnica with a length of 4 km, in the West Pomeranian Voivodeship. S3 is one of the key routes in the West Pomeranian Voivodeship for transport.

#### S61 Stawiski – Szczuczyn

The contract for the construction of the S61 expressway, odcinek: węzeł Stawiski (bez węzła) – beginning of the Szczuczyna ring road, was realised in the “Design and Build” formula, its net value amounted to approximately PLN 300 million. The section under the project was built as part of the Via Baltica route. The construction of the S61 expressway improved the operation of national and provincial roads, separated heavy traffic from built-up areas and reduced the negative impact of exhaust gases on the environment.

#### Biskupia Górka viaduct

The project involves the construction of a completely new road system in the main artery of the Tricity – Trakt Św. Wojciecha Street. The investment also included the construction of an access flyover with retaining walls, an adjacent viaduct over Nowe Podwale Grodzkie Street, a bridge over the Radunia Canal, reconstruction of access roads, railway infrastructure elements and construction of a multi-level Park&Ride car park.

#### Expansion of the “Iron Bridge” mining waste disposal facility

The “Iron Bridge” Waste Disposal Facility is a site for the deposition of copper ore flotation tailings from all mining plants of KGHM Polska Miedź SA and is the largest facility of this type in Europe. Modern construction technologies implemented by Budimex will ensure effective use of the facility and the development of KGHM in the copper basin. During the extension of the facility, the safest variant of dam construction and sealing was implemented, both from the hydrotechnical and environmental aspects. The value of the main contract amounted to PLN 588 million. “Iron Bridge” is environmentally neutral and completely protects the natural environment from the water accumulating in the reservoir.

#### National Road nr 12 in Chełm

The contract, realised in the “design and build” mode, concerned the reconstruction of national road No. 12 within the limits of the town of Chełm with a length of approx. 8.2 km along with the reconstruction and construction of the necessary auxiliary infrastructure, including 5.5 km of local/service roads. The construction works included comprehensive redevelopment of several streets, a bridge over the Uherka river and a viaduct over the former railway siding in the course of Przyjaźni Avenue. There was also a new viaduct over the railway tracks and bus stops. Acoustic screens were installed and over 8 km of bicycle paths were built.

#### A1 Tuszyn–Piotrków Trybunalski

As part of the investment worth almost PLN 389 million, the Budimex and Strabag consortium completed an important section of the A1 motorway, about 16 km long. The section was built in the threads of the existing road. The new element is the concrete surface. After the works, drivers now have two traffic lanes in each direction with two carriage-ways and an emergency lane at their disposal. Additionally, from the “Piotrków Trybunalski West” interchange, an exit from Łódź towards Warsaw and from Warsaw towards Łódź was made. The motorway is part of the Trans-European Transport Network (TEN-T) and the project “Motorway Gdańsk – Brno / Bratislava – Vienna”

## RAILWAY CONSTRUCTION

### Modernisation of LK7 Warsaw–Lublin

The modernisation of LK7 linking Warsaw and Lublin for PKP PLK is the largest railway investment from the National Railway Programme 2015–2020 worth PLN 1.5 billion. The work was carried out by a consortium of Mostostal Kraków SA (leader), PKP Energetyka SA and Schwebbau GmbH. The scope of work included the comprehensive reconstruction of 120 km of track and the construction – at Dęblin station – of the largest steel, three-span railway bridge of 159.6 m in length on this project.

## GENERAL CONSTRUCTION

### Rother's Mills in Bydgoszcz

In April 2021, Budimex completed works at the Rother's Mills complex. The subject of the contract with the City of Bydgoszcz was the execution of construction works consisting in the reconstruction, extension and change of the manner of use of the Rother Mill, the Grain Granary and the Flour Granary as well as the Baths for the needs of a multifunctional service facility. The usable area of the investment was 12,844.84 m<sup>2</sup>. Rother's Mills in Bydgoszcz received an award in the Masterpiece of Construction Art 2021 competition in the category of revitalised buildings.

### PKN Orlen Research and Development Centre in Płock

In 2021 Budimex completed the works and handed over the Research and Development Centre to the investor PKN ORLEN. The contract net value is approximately PLN 167 million. The investment was carried out under the EPC formula (engineering, procurement, construction). Apart from the design, Budimex's task was also construction and furnishing of the "turnkey" buildings of the Centre together with the launch of the supplied equipment, including measurement and laboratory apparatus. The task of CBR in Płock will be the development of refining and petrochemical industry, implementation of new technical solutions and conducting works on new technologies and products.

## ENERGY AND INDUSTRIAL CONSTRUCTION

### Completion of the construction of the combined heat and power plant in Vilnius

In 2021, the combined heat and power plant in Vilnius received an occupancy permit, which was the final step to complete the project by a consortium of Budimex SA and Steinmüller Babcock Environment GmbH worth €178 million. The plant was equipped with a waste-fired boiler (municipal and RDF) feeding an 18.8 MWe turbine. Under the contract, a complete waste-to-energy plant was built, including auxiliary equipment and turbine island, together with the power output of the biomass-fired plant.

### Turów Power Plant

As part of a consortium with Mitsubishi Power Europe GmbH and Tecnicas Reunidas SA, Budimex has built a separate 450 MW power unit at the power plant. Under the contract, the unit was equipped with all necessary technological systems for its operation. The works included site preparation, delivery of the unit's elements, their assembly and start-up. The net value of the project amounted to PLN 3.646 billion.

### Acceptance for operation of the Strachocina – Polish border gas pipeline

Budimex in a consortium with Mostostal Kraków SA has completed the construction of a strategic high-pressure gas pipeline in the Podkarpackie voivodeship, which is an important element of the Poland-Slovakia interconnection. In August 2021, the gas pipeline was technically connected with the "golden weld" with the gas pipeline on the Slovak side. During the implementation, trenchless technologies were used such as: HDD (horizontal directional drilling) or microtunneling. The contract net value amounted to PLN 521.48 million.

# The Budimex Group's financial situation in 2021



## Scale of operations – Statement on the financial position

On the 31<sup>st</sup> of December 2021, total assets of the Budimex Group amounted to PLN 6,863,318 thousand compared to PLN 7,462,240 thousand at the end of 2020 (i.e. decreased by 8.0%). The main reason for the decrease was the sale of Budimex Nieruchomości Sp. z o.o.

Non-current assets amounted to PLN 1,672,413 thousand, which accounted for 24.4% of the Group's total assets. They were by PLN 136,146 thousand (by 8.9%) higher than the previous year. The change of their value was mainly influenced by the following factors:

- Decrease in the value of tangible fixed assets – they amounted to PLN 538,612 thousand, i.e. decreased by PLN 10,200 thousand (by 1.9%) in comparison with the state as at the end of 2020. Their value was negatively affected by depreciation of property, plant and equipment (in the amount of PLN 127,826 thousand) and the sale of Budimex Nieruchomości (PLN 9,427 thousand). At the same time, the Group purchased and leased property, plant and equipment (in the amount of PLN 218,133 thousand) and bought out from lease fixed assets (in the amount of PLN 109,923 thousand).
- An increase in the value of deferred tax assets, which at the end of 2021 amounted to PLN 642,373 thousand (i.e. 9.4% of the Group's total assets). Their value was by PLN 120,522 thousand (by 23.1%) higher than at the end of 2020, as a result of the increase in the balance of negative temporary differences from items on the side of the liabilities.
- An increase in the balance of deposits under construction contracts. They amounted to PLN 87,264 thousand and increased by PLN 46,421 thousand compared to the balance at the end of the previous year. This was a result of the exclusion of Budimex Nieruchomości Sp. z o.o. from consolidation.
- The sale of Budimex Nieruchomości Sp. z o.o. resulted in the absence of investment properties in the balance sheet, which amounted to PLN 9,876 thousand at the end of 2020.

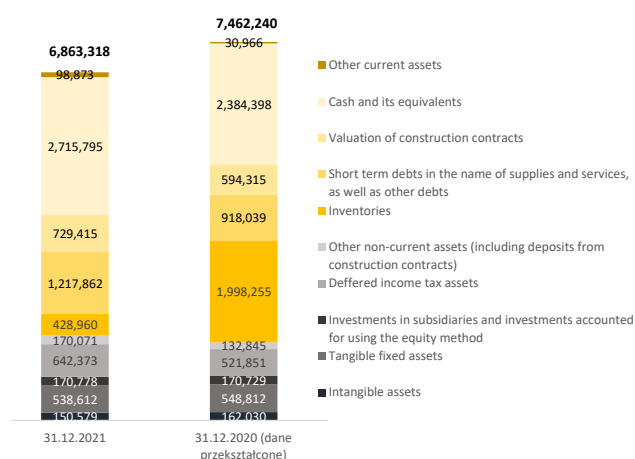
As of the 31<sup>st</sup> of December 2021, the Budimex Group's current assets amounted to PLN 5,190,905 thousand, i.e. decreased by PLN 735,068 thousand (by 12.4%) compared with the balance as at the end of the previous year. This was primarily the result of a decrease in inventories

by PLN 1,569,295 thousand (including PLN 1,734,911 thousand due to sale of Budimex Nieruchomości Sp. z o.o.).

Other significant changes in the size of current assets as at 31 December 2021 compared to the previous year-end are:

- Increase in cash and cash equivalents – these reached PLN 2,715,795 thousand, i.e. were PLN 331,397 thousand (13.9%) higher than in the previous year, mainly as a result of proceeds from the sale of Budimex Nieruchomości Sp. z o.o.
- An increase in trade and other receivables, which stood at PLN 1,217,862 thousand. They increased by PLN 299,823 thousand (by 32.7%), mainly as a result of seasonal, greater involvement in contracts with non-standard invoicing patterns.
- Increase in the valuation of construction contracts, which amounted to PLN 729,415 thousand and increased by PLN 135,100 thousand (by 22.7%), which was related to lower invoicing of works performed in the last quarter of 2021.

Structure of the Budimex Group's assets in PLN thousand





On the 31<sup>st</sup> of December 2021, shareholders' equity amounted to PLN 1,361,007 thousand (i.e. 19.8% of total assets). Their value was higher by PLN 173,736 thousand (by 14.6%) than in the previous year. This increase was primarily due to the generation of a net profit of PLN 971,603 thousand in 2021. At the same time, during 2021 dividends and dividend advances were paid in the total amount of PLN 806,750 thousand.

At the end of 2021, the Group's non-current liabilities amounted to PLN 1,023,841 thousand (or 14.9% of balance sheet total), i.e. they were PLN 115,894 thousand (by 10.2%) lower than a year earlier. The change in their balance was mainly due to a lower level of liabilities on account of credits, loans and other external sources of financing. They amounted to PLN 155,269 thousand, i.e. were by PLN 106,394 thousand (by 40.7%) lower than at the end of the previous year, mainly as a result of purchase of fixed assets under lease by Budimex Kolejnictwo SA.

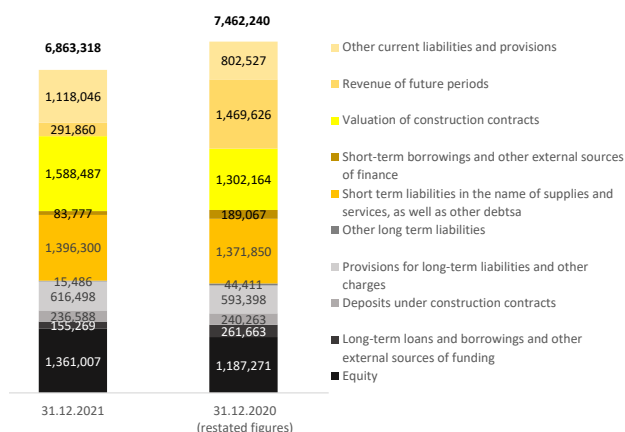
As at 31 December 2021, the Group's current liabilities amounted to PLN 4,478,470 thousand (65.3% of balance sheet total), which means that they were PLN 656,764 thousand (by 12.8%) lower than at the end of 2020. Their main part consisted of trade and other payables amounting to PLN 1,396,300 thousand, which were by PLN 24,450 thousand (by 1.8%) higher than in the previous year.

The main changes in short-term liabilities concerned:

- Decrease in deferred income. They amounted to PLN 291,860 thousand and, mainly as a result of the sale of Budimex Nieruchomości Sp. z o.o., were by PLN 1,177,766 thousand (by 80.1%) lower compared to the balance at the end of 2020.
- An increase in the valuation of construction contracts (representing the difference between revenues invoiced to investors and recognised in the income statement) by PLN 286,323 thousand to PLN 1,588,487 thousand at the end of 2021.
- An increase in the provision for losses on construction contracts by PLN 204,346 thousand (by 65.8%) due to the newly identified risk of an increase in the cost of materials (in particular steel) and labour on selected contracts.
- Decrease in liabilities due to loans, borrowings and other external sources of financing, which at the end of 2021 amounted to PLN 83,777 thousand, i.e. were by PLN 105,290 thousand 55.7% lower than the previous year.

At the end of 2021, working capital (current assets – current liabilities) amounted to PLN 712 thousands, i.e. increased/decreased by %.

Structure of the Budimex Group's liabilities in PLN thousand



# The Budimex Group's financial situation in 2021



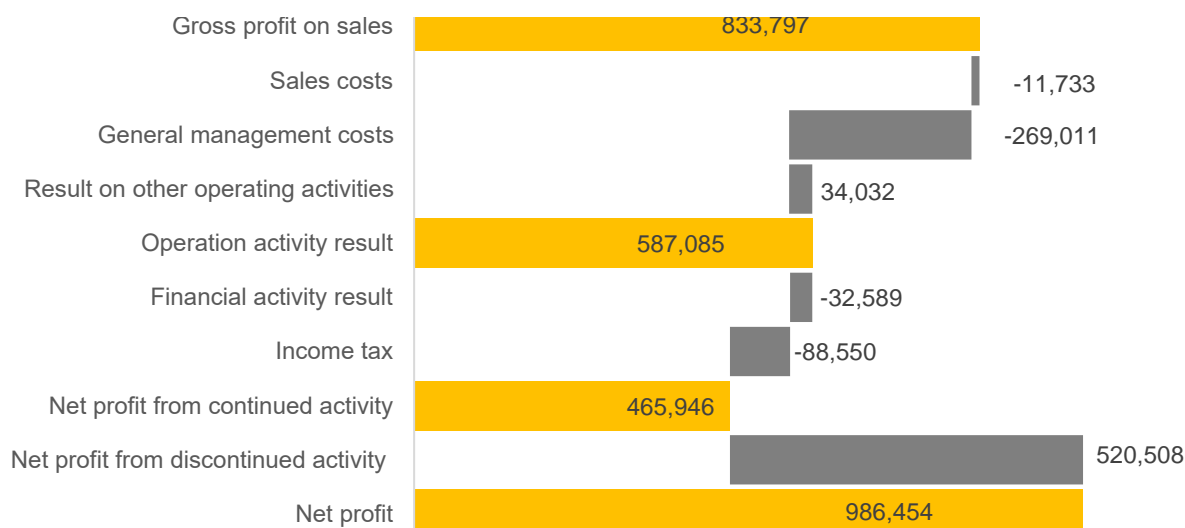
## GRI 201-1 Factors influencing the financial result of the Budimex Group

During 2021 the Budimex Group generated net profit attributable to shareholders of the parent company at the level of PLN 971,603 thousand compared to PLN 459,465 thousand in the previous year (increase by 111.5%).

The Group's financial result in 2021 was mainly determined by maintaining the assumed margin on construction contracts and sales of the real estate development segment.

	2021	2020 (transformed)	Difference	
			in PLN thousand	in %
Sales revenues	7,911,192	7,709,106	202,086	2.6%
Own cost of sales	-7,077,395	-7,007,169	-70,226	1.0%
Selling costs	-11,733	-11,219	-514	4.6%
General administrative expenses	-269,011	-247,194	-21,817	8.8%
Result on other operating activities	34,032	3,909	30,123	770.6%
Profit (loss) from operating activities	587,085	447,433	139,652	31.2%
Result on financing activities	-32,656	-20,519	-12,137	59.2%
Share in net profit (loss) of subsidiaries accounted for using the equity method	67	145	-78	-53.8%
<b>Profit (loss) before taxation</b>	<b>554,496</b>	<b>427,059</b>	<b>127,437</b>	<b>29.8%</b>
Income tax	-88,550	-113,363	24,813	-21.9%
<b>Net profit (loss) from continued operations</b>	<b>465,946</b>	<b>313,696</b>	<b>152,250</b>	<b>48.5%</b>
Net profit (loss) from discontinued operations	520,508	157,698	362,810	230.1%
<b>Net profit, including:</b>	<b>986,454</b>	<b>471,394</b>	<b>515,060</b>	<b>109.3%</b>
- attributable to the shareholders of the parent company	971,603	459,465	512,138	111.5%
from continued operations	451,095	301,767	149,328	49.5%

## Commitments from borrowings and other external sources of financing in PLN thousand



\* Łącznie z udziałem w zyskach (stratach) netto jednostek podporządkowanych wycenianych metodą praw własności

## Sales revenues

In 2021, sales revenues amounted to PLN 7,911,192 thousand, which is higher by PLN 202,086 thousand (by 2.6%) than in the previous year.

The main part of these was revenue from the construction segment. Excluding consolidation exclusions, they amounted to PLN 7,282,424 thousand, i.e. were by 3.4% lower than in the previous year. On the domestic market, sales of the Group's construction segment amounted to PLN 6,939,086 thousand, i.e. decreased by 3.1%. The Group achieved worse results in the first half of 2021 (10.4% lower than in the first half of 2020), which resulted from, among other things: unfavourable weather conditions in the first quarter, as well as due to the pandemic period and the extended waiting period for obtaining a building permit on several significant orders from the road area and lower production in the general construction segment. In the second half of 2021, the construction segment performed better than in the corresponding period of 2020 (+2.3%).

In 2021, on the other hand, the services business segment achieved revenues 27.9% higher than in 2020, due to increased volumes in the waste management segment.

## Gross sales profit and gross sales margin

In 2021, gross profit on sales amounted to PLN 833,797 thousand, which is PLN 131,860 thousand (by 18.8%) higher than in the previous year. The gross margin on sales amounted to 10.5%, while in the previous year it was at the level of 9.1%. The gross margin on sales of the construction segment was 8.8% and was 0.4 p.p. higher than in the previous year. In the conditions of sharp increase in prices of raw materials, it was possible thanks to the effective policy of securing prices of key assortments. On most projects the Budimex Group maintains the originally assumed contract margin.

In accordance with the adopted accounting principles, if the budgeted costs of performance of a construction contract exceed the total value of expected income, the Group companies, upon identification of this fact, create provisions for losses, presented in the consolidated statement of financial activities under "Provisions for losses on construction contracts". At the end of 2021, these provisions amounted to PLN 514,787 thousand and were PLN 204,346 thousand higher than at the end of 2020.

For construction services, Group companies are required to provide guarantees for their services. At 31 December 2021, the Group had provisions for warranty repairs of PLN 617,609 thousand, which was PLN 26,131 thousand higher than in the previous year.

## Selling and general administrative expenses

In 2021, the costs of sales amounted to PLN 11,733 thousand, i.e. increased by PLN 514 thousand (or 4.6%) compared to the previous year. On the other hand, general and administrative expenses were at the level of PLN 269,011 thousand, i.e. they were by PLN 21,817 thousand (or by 8.8%) higher compared to the previous year. The total ratio of selling costs and general and administrative expenses to sales revenue in 2021 was 3.5% (3.4% in the previous year).

## Results of the other operating activities

In 2021, the Group's result from other operating activities amounted to PLN 34,032 thousand against PLN 3,909 thousand. In 2020, the Group created significant allowances for receivables and inventories and created provisions for penalties and damages.

Detailed analytics of other operating income and other operating expenses are presented in note 33 of the consolidated financial statements.

## Operating profit and EBITDA

In 2021, the Group's operating profit amounted to PLN 587,085 thousand, compared to PLN 447,433 thousand in the previous year (an increase of 31.2%). The EBIT margin stood at 74%, up by 1.6 p.p. compared to 2020.

EBITDA (i.e. operating profit plus depreciation and amortisation) amounted to PLN 733,692 thousand, compared to PLN 584,957 thousand in the previous year (an increase of 25.4%). Thus, in 2021, the EBITDA margin reached 9.3% (7.6% in 2020).

## Result of financing activities

In 2021, the Group's loss on financing activities amounted to PLN 32,656 thousand, which was PLN 12,137 thousand higher than in the previous year. In 2020, the Group earned higher interest income on deposits in bank accounts and interest on discounts received and for late payment than in 2021.

## Income tax

The burden of income tax on the Group's result for 2021 amounted to PLN 88,550 thousand, of which: PLN 225,835 thousand was attributable to the current portion and PLN -137,285 thousand to the deferred portion.

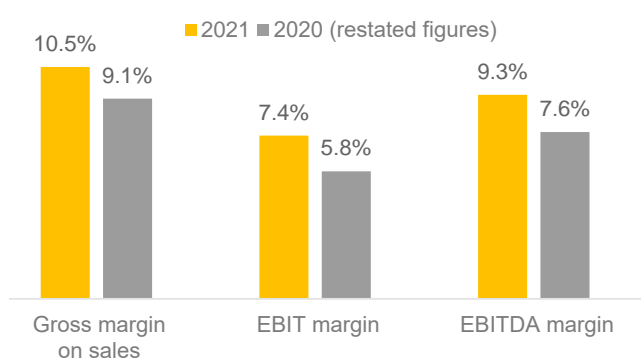
As at 31 December 2021, the Group recognised deferred tax assets in the amount of PLN 642,373 thousand and deferred tax liabilities in the amount of PLN 830 thousand, while as at 31 December 2020 the Group recognised deferred tax assets in the amount of PLN 521,851 thousand and deferred tax liabilities in the amount of PLN 4,662 thousand.

The components of the statement of financial position due to deferred income tax in the Budimex Group result mainly from the specificity of settlements of construction contracts, where the moment of recognising cost as incurred and revenue as realised are different in tax and accounting terms

## Net profit on discontinued operations

On the 22<sup>nd</sup> of February 2020 Budimex S.A. concluded a conditional sale agreement of 100% of shares in its subsidiary Budimex Nieruchomości Sp. z o.o. with the buyer, CP Developer S.ar.l. From the date of the conditional sale agreement the Budimex Group started to present the whole segment "real estate development and management" as discontinued operations in the consolidated financial statements according to the rules resulting from IFRS 5, as it considered that this was the moment when all conditions for such classification were met. On 24 May 2021, a disposal agreement was signed for the disposal of all shares in Budimex Nieruchomości Sp. z o.o. based in Warsaw to CP Developer S.ar.l. based in Luxembourg. The price for the shares was credited to the bank account of Budimex SA, hence the title to shares was transferred to CP Developer S.ar.l. with its registered office in Luxembourg. Budimex Group recognized in the consolidated financial statements for 2021 the net profit resulting from the settlement of the sale of developer activities in the amount of PLN 487,541 thousand.

## Basic measures of profitability In %



**In 2021, the Group achieved significantly higher profitability ratios.**

# The Budimex Group's financial situation in 2021



## Cash flow

As of the 31<sup>st</sup> of December 2020 the Budimex Group had cash on bank accounts and in hand in the total amount of PLN 2,384,398 thousand, which for the purpose of the cash flow statement was reduced by restricted cash of PLN 302,900 thousand. During 2021, the Group recorded positive net cash flows of PLN 604,109 thousand and had cash of PLN 2,715,795 thousand as at 31 December 2021, including restricted cash of PLN 30,910 thousand.

The increase in cash was due to:

- Positive cash flow from operating activities of PLN 765,445 thousand.
- Positive cash flows from investing activities in the amount of PLN 827,043 thousand, which resulted mainly from the sale of Budimex Nieruchomości Sp. z o.o.
- Negative cash flows from financing activities in the amount of PLN 988,379 thousand, which consisted mainly of the payment of dividends and repayment of leasing and credit liabilities.



Funds as at 31.12.2020	2,081,498
Flows from operating activities	765,445
Flows from investment activities	827,043
Flows from financial activities	-988,379
Exchange rate differences	-722
Funds as at 31.12.2021	2,684,885



# The Budimex Group's financial situation in 2021



## Management of financial resources of the Budimex Group

As of the 31<sup>st</sup> of December 2021, the Budimex Group had cash and liquid deposits in the total amount of PLN 2,715,795 thousand, which is PLN 331,397 thousand more than a year earlier. The most important factors that influenced the development of financial resources included:

- continued high profitability of Budimex SA's construction activities,
- proceeds from sale of shares in Budimex Nieruchomości Sp. z o.o. in the first half of 2021,
- payment by Budimex SA of a dividend in the course of 2021, i.e. a dividend from the profit for 2020 and an interim dividend from the profit generated in the first half of 2021 in the total amount of PLN 806,750 thousand,
- significant reduction of lease debt by Budimex SA and Budimex Kolejnictwo SA,
- an increase in cash in FBŚerwis Group companies, mainly due to continued high profitability in the segment of waste collection and management.

In accordance with the Group's policy, the Group's cash surpluses were placed in bank deposits, in banks with high credit ratings. In addition, Budimex SA used surplus cash to finance its suppliers of services and materials, which had a positive impact on the liquidity of these suppliers and was important for them during the COVID-19 pandemic.

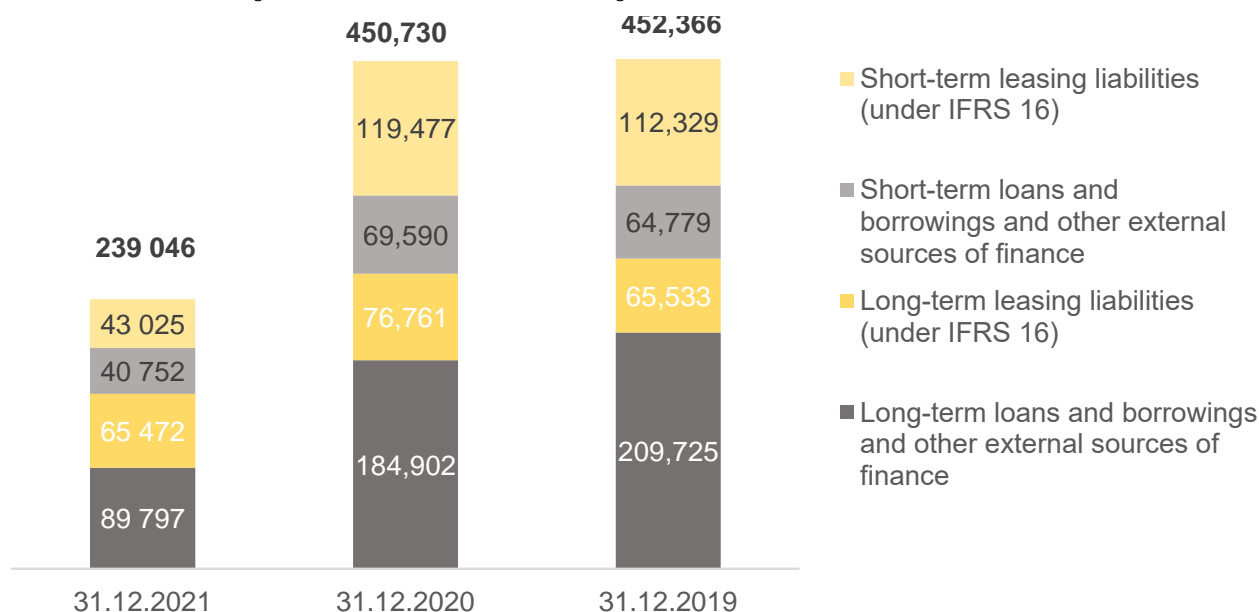
At the same time, the Budimex Group companies had external debt from credits, loans and other external sources of financing, including leasing. As at the end of 2021, it amounted to PLN 239,046 thousand, including PLN 108,497 thousand attributable to lease liabilities recognised in accordance with IFRS 16. Comparable to previous years, the amount of the Group's external debt under bank loans, borrowings and lease understood in accordance with IAS 17, i.e. not including lease liabilities recognised in accordance with IFRS 16, amounted to PLN 130,549 thousand and was thus lower by PLN 1,923 thousand. This was PLN 123,943 thousand lower than as at 31 December 2020

and PLN 143,955 thousand lower than as at 31 December 2019. During 2021, the amount of the Group's debt recognised under IFRS 16 also decreased, which was decisively influenced by the sale of shares and discontinuation of consolidation of Budimex Nieruchomości Sp. z o.o.

The amount of the Group's financial debt includes: debt of Budimex SA, Budimex Kolejnictwo SA, Mostostal Kraków SA, and companies of the FBŚerwis Group under leasing agreements (concluded to finance the acquisition of property, plant and equipment), debt of Budimex Parking Wrocław Sp. z o.o. under a loan for financing a concession project and a subordinated loan granted by a shareholder and debt of FBŚerwis Kamieński Sp. z o.o. under a loan granted by NFOŚiGW for financing investments related to waste management. At the end of 2021, the Group had no debt due to bonds issued.

At the end of 2021, the ratios showing the sustainability of the capital structure improved, i.e. the equity coverage of assets increased and at the same time total debt and debt to equity decreased. This was possible due to a net increase in the Group's equity despite high dividend payments by Budimex SA, as well as a decrease in the Group's balance sheet total due to the sale of Budimex Nieruchomości Sp. z o.o.

Commitments from borrowings and other external sources of financing in PLN thousand



#### Sustainability of capital structure ratios

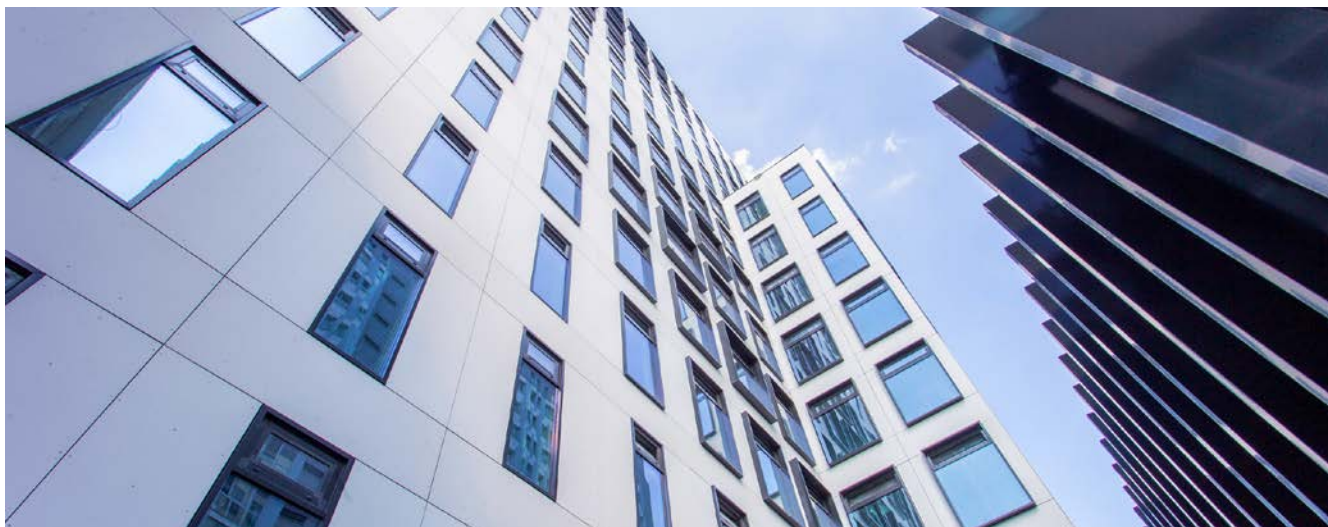
	31.12.2021	31.12.2020	31.12.2019
Total debt ratio: (Total assets-Equity attributable to equity holders of the parent company)/Total assets in %	80.8%	84.6%	87.9%
Equity to non-current assets ratio: (Equity attributable to equity holders of the parent company/tangible assets) in %	78.9%	74.8%	56.3%
Debt to equity ratio: (Total assets- Equity attributable to equity holders of the parent company)/Equity attributable to equity holders of the parent company	4.20	5.49	7.26

At the end of 2021, the liquidity ratios (both current and quick) were slightly higher than at the end of the previous years, i.e. at the end of 2020 and 2019. This was mainly due to an increase in the Group's cash and a decrease in inventories, mainly related to property development activities. At the same time, the Group's short-term liabilities decreased, which had a positive impact on the liquidity ratios.

#### Debt ratios

	31.12.2021	31.12.2020	31.12.2019
Current ratio: (Current assets/Current liabilities)	1.16	1.15	1.09
Accelerated liquidity ratio: ((Current assets - Inventory)/Current liabilities)	1.06	0.76	0.67

# Importance of information in the report and risk management



## [GRI 3-1] Methods for determining materiality

Non-financial issues relevant to the activities of the Budimex Group were identified in the process of formulating the CSR Strategy 2021–2023 and other strategic plans in the ESG area. The areas of activities in which the Budimex Group sets strategic goals are the basis for determining materiality also in other processes concerning sustainable development in the Budimex Group.

Work on the Strategy was preceded by a phase of preliminary identification of potentially relevant issues, during which the scope of Budimex Group's impact on the environment and the scope of potentially relevant issues emanating from good practices and regulations, including the OECD Guidelines for Multinational Enterprises and preliminary information on the EU Corporate Sustainability Reporting Directive (CSRD) were considered. The identification process included a range of human rights issues.

# Importance of information in the report and risk management



[GRI 2-29]  
[GRI 3-2]  
[GRI 3-3]

## Important stakeholders

The Budimex Group cares about building long-term relations with important stakeholders, based on the values it follows in each activity. The Group's CSR Committee ensures that communication with key stakeholders is conducted transparently and according to the principles of open dialogue. Budimex encourages its stakeholders to share their opinions as it is becoming a more dynamic and sustainable company. The form of communication is adjusted to the specifics and needs of a given group of stakeholders and to the communication possibilities which may be limited e.g. by the restrictions related to the COVID-19 pandemic. In its communication, Budimex attaches great importance to transparently informing stakeholders about the sustainable development of the company.

The identified important stakeholders are:

Stakeholder group
Workers and social partners (full-time employees, students and potential employees, former employees, trade unions, employees of subcontractors and suppliers, labour inspection and other similar supervisory institutions).
Investors (strategic investor, institutional investors, individual investors, Warsaw Stock Exchange, brokerage houses, banks).
Clients (GDDKiA, institutional clients, individual clients, business partners, key suppliers, subcontractors, local government administration, government administration).
Society (local communities within the investment area, residents and community leaders, universities and academics/students, technical and professional organisations).
Environment (environmental organisations, environmental inspectors, State Forests).
The media, public opinion.

The Press and External Relations Office, the Communications Department and the CSR Committee are responsible for stakeholder dialogue. The frequency and form of contact are adapted to the needs and external conditions with a given group. Dialogue with the external environment is the responsibility of the Press and External Relations Office, the Communications Department and the Strategic Analysis Office.

In 2021 the Budimex Group was a member of these organisations:

[GRI 2-28]

- Business Centre Club (BCC)
- Transport Development Centre – Luxtorpeda Cluster
- Federation of Polish Entrepreneurs
- Polish Chamber of Power Industry and Environmental Protection
- Chamber of Commerce for Land Transport
- Polish Chamber of Commerce for Road Construction (OIGD)
- Polish Cluster of Construction Industry Exporters
- Polish Association of Construction Employers (PZPB), in which a representative of Budimex SA is a Member of the Management Board
- Polish Association of Asphalt Surface Contractors, where the President of the Management Board of Budimex SA holds the position of Vice-Chairman of the Board
- Polish-Lithuanian Chamber of Commerce
- Polish-Spanish Chamber of Commerce (PHIG)
- Railway Business Forum (RBF),
- Polish Association of Listed Companies (SEG)
- Polish Construction Cluster
- Polish-German Chamber of Industry and Commerce
- ITS Poland



# Importance of information in the report and risk management



## [GRI 3-2] [GRI 3-3] Important issues

	What does the impact entail	Ways of managing the issue
<b>Environmental issues</b>		
Level of greenhouse gas emissions	<p>The influence of the Budimex Group in this area consists in combustion of fuels and purchase of electricity and heat as well as activities influencing the level of emissions in other organisations operating within the Group's value chain, e.g. in subcontractors.</p> <p>Greenhouse gas emissions are directly linked to the issue of climate change. You can read more about the risks from climate change in the chapter Climate Risk Analysis.</p>	The issue is managed through the target within the CSR Strategy 2021-2023. The reduction of emissions is influenced by, among other things, the purchase of energy from renewable sources and the introduction of carbon-free mobility solutions.
Water consumption level	Water is used in the Budimex Group as a raw material in production processes and in the provision of construction services.	The issue is managed through the target within the CSR Strategy 2021-2023. Reduction is achieved through actions such as rainwater recovery on contracts.
<b>Issues from the social area</b>		
Counteracting discrimination	The Budimex Group has a zero tolerance policy for any manifestation of discrimination. Impact is generated primarily through the prevention of undesirable events.	The issue is managed through the implementation of the objective within the CSR Strategy 2021-2023. The Budimex Group has policies governing the framework of conduct in the area of ethics and human rights. Employees are informed about the ethics management system in force in the Group and about ways to report concerns and violations.
Development and education	The impact in this area is mainly due to unique development programmes offered by the Budimex Group and addressed both to the current employees and those considering employment with the Budimex Group, as well as to students of construction studies.	The issue is managed by offering a wide range of educational programmes. As part of the CSR Strategy 2021-2023 objective.
Equality and diversity of the workforce	Impact in this area is about creating a working environment that builds a culture of diversity and equality.	This area is managed through the implementation of Diversity Policies and by carrying out activities aimed at, among other things, redressing pay inequalities.

OHS	The area of health and safety is particularly important for the Budimex Group. The impact in this area is directly related to the management of safety on contracts.	The issue is managed through the implementation of an objective within the CSR Strategy 2021–2023. The Budimex Group has detailed policies defining a framework of conduct in the area of OHS. Indicators for OHS are monitored and analysed. Based on conclusions from analyses of statistics and accidents, preventive and corrective measures are implemented.
<b>Issues from the management area</b>		
Quality of construction services provided	Impact is generated by controlling the quality of the services provided.	The issue is monitored through a dedicated quality indicator within the CSR Strategy 2021–2023. The management of the issue includes, among others, quality control processes.
Innovation	The potential impacts under this theme cover many different aspects of ESG that can be addressed by innovation projects.	The issue has been included in the objectives of the CSR Strategy for 2021–2023. Activities in the area covered by the issue focus on innovative pilot projects carried out with the help of Budimex Group's own resources and with the participation of partners and startups.

# Importance of information in the report and risk management



[GRI 2-25]  
[GRI 3-2]  
[GRI 3-3]

## Important risks

The overarching document regulating the area of risk identification in the Budimex Group is the Policy on Control and Risk Management in the Budimex Group. It is supported by a number of instructions and procedures regulating particular aspects related to the risk identification process. The risk identification system at the Budimex Group consists of annual, semi-annual, quarterly and monthly reviews.

The following significant risks were identified in the 2021 risk review:

Risk	Risk description	Risk management
Limitation of investments on the Polish market	The risk arises from the possible postponement or reduction of funding for infrastructure and rail investments.	Expansion into new foreign markets. Diversification of activities, entering new business areas, including the renewable energy market.
Occurrence of fatal and serious accidents	The risk stems from a lack of sufficient awareness of the risks.	The Budimex Group has an Action Plan on prevention of accidents. It defines a framework for activities aimed at appropriate dissemination of knowledge on health and safety at work and implementation of best practices in this area.
Expansion into new foreign markets	Difficulties in obtaining contracts in foreign markets. Difficulties in obtaining employees and local subcontractors.	Search for partners in foreign markets. Cooperation with local recruitment agencies.
Climate change and environmental damage	The risk is related to the global phenomenon of climate change and the environmental impact of the Budimex Group's activities.	In 2021, an analysis of climate risks was prepared. It details the context of climate change risks and their impact on the Budimex Group and the impact of the Budimex Group on climate change.
Cyber threats	The risk stems from a number of factors including aspects of employee education, IT infrastructure security and the global increase in hacking attacks.	The Cyber Security Strategy is being implemented.
Loss of business continuity	Risk of unavailability of key personnel and infrastructure.	Reviews and updates of plans and instructions to ensure business continuity.

# Ethics and human rights in the Budimex Group



## Ethics management

The Budimex Group creates a working environment in which ethical conduct is respected and promoted. Diversity of employees is an asset of the Budimex Group, and any discriminatory behaviour or any other breach of established rules of ethical conduct is not accepted. The Budimex Group reacts adequately to changes occurring on the labour market, taking them into account as factors in risk studies and adapting its system regulating the framework of ethical conduct. For example, an increase in the share of foreign workers in the Polish labour market may result in an increased risk of xenophobic behaviour. The Budimex Group is prepared for the eventuality of a demand for the possibility to make a report in another language. The Budimex Code of Ethics is available in the Polish version, while the Ferrovial Group Code of Ethics is available in the English version. Messages may be sent to the e-mail address used to communicate violations and to the e-nform Platform (dedicated to anonymous reporting) in Polish and in foreign languages – during the 4 years of functioning of the Compliance channels, no information or reports in foreign languages have been sent.

The Budimex Group takes due care to ensure respect for human rights within the organisation and at the entities with which it has relations. The Group ensures full, undisturbed freedom of operation for trade unions: Intercompany Trade Union Organisation NSZZ “Solidarność” and Trade Union “Budowlani”. The following apply at the Group Company Collective Labour Agreement.

The document “Principles of Corporate Responsibility Policy” obliges all employees of the Budimex Group, among others, to respect fundamental human rights. In turn, the “Principles of Human Rights Protection”, addressed to persons employed in the Group, its clients, suppliers and contractors, speak about respecting the provisions of the “Declaration of Fundamental Principles and Rights at Work” of the International Labour Organisation. They commit to non-discriminatory actions that promote equal opportunities, to recognising the value of diversity, and to respecting the prohibition of child and forced labour and freedom of association, as well as the right to industrial disputes. As regards its customers and local communities, the Budimex Group does not accept any form of discrimination and undertakes to provide information on its activities in a quick and transparent way.

The documents that, at the operational level, ensure that human rights are respected in daily work are the “Code of Ethics” and the “Compliance Policy”. Human rights violations are governed by the same procedures that define how to deal with the prevention of corrupt behaviour (see “Ethical standards”).

### The Code of Ethics

The Code of Ethics is an internal document available to the employees of the Budimex Group. The aim of implementing the Code of Ethics was to create a stable point of reference for ethical conduct of the Budimex Group’s employees. The Code describes the Group’s Values and determines the conditions of acting in compliance with them.

The values defined by the Code are:

- Ethics
- Co-operation
- Responsibility
- Ambition

The Code also specifies Areas of specific compliance to ethical values. This section describes the principles and guidelines of conduct in the specified types of relationships and in the areas of influence of the Budimex Group. The topics regulated in this part include:

- Management and employee relations
- Contact with investors, customers and suppliers
- The environment
- Taking care of the company’s assets
- Stock exchange

The provisions of the Code of Ethics are guarded by the Ethics Committee appointed by the President of the Management Board of Budimex SA.

The Ethics Committee is composed of the Director of the Human Resources Management Division, Director of the Legal and Organisational Division and Director of the Internal Control Office. The role of the



Committee is to monitor compliance of the applied standards of professional ethics with the provisions of the Code of Ethics. The Commission investigates breaches of the Code of Ethics and provides guidance on compliance with the principles contained therein, while maintaining standards of confidentiality. Breaches of the Code can be reported using the reporting mechanism described later in this chapter.

## Principles of Human Rights Protection

The Principles of Human Rights Protection is a document of the Ferrovial Group, the strategic investor of the Budimex Group. The purpose of this document, which applies throughout the Ferrovial Group, is to raise awareness of human rights within the company and to increase the company's capacity to deal with issues related to this issue. The obligations detailed in the document cover all employees, clients, suppliers and contractors in their relations with the Group. The principles described in the document have their origin in the provisions of the Universal Declaration of Human Rights and the ILO (International Labour Organisation) conventions.

## Ethics in the supply chain

The Budimex Group cares about due diligence in its supply chain by entering into cooperation only with entities acting ethically. In the process of selecting a supplier of materials and services, one of the qualification criteria is compliance with human rights by the company with which Budimex intends to sign a contract. The qualification process consists of an initial assessment and an assessment after completion of supplies/services. In both cases, the issue of respect for human rights is examined. The aforementioned issues are regulated in the document entitled Instruction to the purchasing procedure.

For 99% of contracts, Subcontractors sign a Rulebook that includes a commitment to respect human rights.

In the reported period the Budimex Group was not informed about any actions of its subcontractors that could amount to human rights violations.

These aspects were also included in the "CSR Strategy 2016-2020", where an important objective was "Eliminating the risk of unethical behaviour" (individual business areas and objectives were assigned indicators and measurable target values). These issues were also included in the "CSR Strategy for 2021-2023".

# Ethics and human rights in the Budimex Group



[GRI 2-26]  
[GRI 2-27]  
[GRI 206-1]  
[GRI 406-1]

## Violation reporting system

All employees of the Budimex Group have access to information and tools enabling them to report observed violations and irregularities. These are:

- compliance hotline (+48 789 404 104),
- e-mail addresses: [compliance@budimex.pl](mailto:compliance@budimex.pl) and [ethics@budimex.pl](mailto:ethics@budimex.pl),
- an electronic platform allowing anonymous reporting,
- the ability to report in person to the Compliance Coordinator or an Assistant Compliance Coordinator.

There are reports, e.g. in the form of letters sent directly to the President of the Management Board or Members of the Management Board of Budimex SA. In such a case, they are forwarded directly to persons responsible for considering them.

If the person making the report wishes to do so, he/she remains anonymous and is also assured that he/she will not face any professional consequences as a result of the report. The Compliance Coordinator, in cooperation with the Compliance Committee and/or the Office of Internal Control, investigates each report in detail in accordance with confidentiality standards. Each case of violation shall be recorded in writing, including recommendations or guidelines for further action by the organisational unit to which the report relates. The Compliance Coordinator is required to periodically report on the notifications to the Management Board and Supervisory Board with information on what actions have been taken to clarify the respective notification (at least for a period of three months). In addition, the Audit Committee of the Supervisory Board has the right at any time to request a report for a given period.

Through the existing mechanisms, there were no reports in the area of corruption in 2021. List of reports of violations of the “Code of Ethics” / “Compliance Policy” in 2021:

- conflict of interest issues,
- inappropriate employee-supervisor relations,
- issues of interpretation of internal regulations in the Budimex Group.

Appropriate action was taken following the issues reported. In two cases, employees were terminated, in one case the employee was cautioned, and in others appropriate information was provided to the reporters. In addition, compliance training was conducted in December 2021, which continued into January 2022.

In 2021, there were no cases of non-compliance with the law resulting in financial penalties imposed on the Budimex Group.

There were no cases of breaches of fair competition rules in 2021.

# Ethics and human rights in the Budimex Group



## [GRI 409-1] Prevention of forced labour

The document regulating the scope of due diligence with regard to the prevention of forced labour is the Principles of Human Rights Protection addressed to employees, customers, suppliers and contractors with whom the Budimex Group works. The policy, which includes prohibition of forced and child labour, is implemented through the following actions:

- respect, support and promotion of human rights,
- a guarantee of security and respect for human rights,
- rejection of all types of discrimination,
- promotion and dissemination of human rights.

Budimex Group plans to extend due diligence procedures in the supply chain as part of its strategic objectives related to sustainable development.

# Ethics and human rights in the Budimex Group



## Management of conflicts of interest

One of the important areas in the Budimex Group is the management of conflicts of interest, which is carried out through the application of appropriate policies. Conflict of interest management is also an important topic in the area of S (Social) CSR Strategy 2021–2023 of the Budimex Group.

Issues related to conflict of interest management are regulated in the Budimex Group Code of Ethics. Moreover, in this area, there are also Operational Instructions regulating:

- rules for participation in sponsored events and other activities with a conflict of interest,
- giving and receiving gifts,
- principles for informing on the employment of persons with a link to an employee.

Issues concerning conflict of interest form a separate module within the compliance training conducted in the Budimex Group. In order to effectively manage the risks related to conflict of interest, further work is planned on policies and guidelines for employees aimed at minimising the risks of negative effects of conflict of interest.



# Ethics and human rights in the Budimex Group



[GRI 205-1]  
[GRI 205-2]  
[GRI 205-3]

## Counteracting corruption

The Budimex Group takes firm actions in the area of prevention of corruption incidents. Combating corruption is one of the 10 Global Compact Principles, which form the foundation for building a responsible organisation. Budimex recognises the enormous negative effects of the materialisation of risk in this area, therefore the Group has a comprehensive anti-corruption system in place, which meets all regulatory requirements and good market practices.

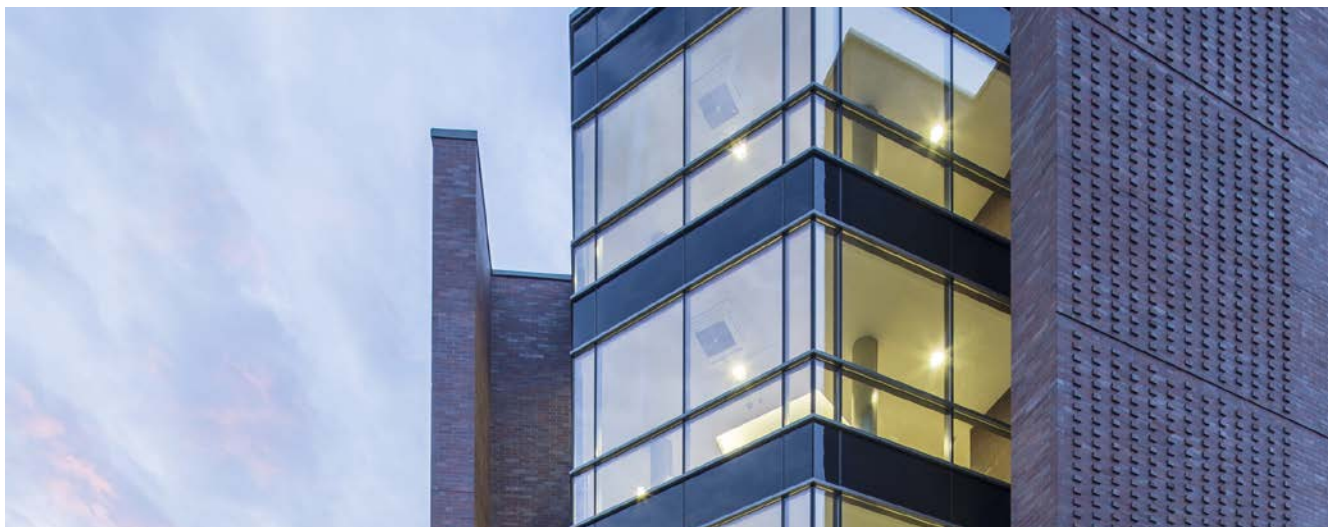
In the area of anti-corruption, internal training is conducted as well as training carried out with the participation of external organisations. In 2021, approximately 20 internal training panels were held, including training under the Contract Manager Academy, Compliance Training

and Welcome to the Group programmes. In the reported period, all members of the Management Board of Budimex SA underwent training covering anti-corruption topics. All employees in middle and senior management positions receive regular information on anti-corruption systems in place at the Group.

Agreements signed with business partners include provisions informing about the Budimex Group's approach to issues related to prevention and elimination of corruption events.

No incidents of corruption were reported in 2021.

# Compliance with the European Union Taxonomy



Budimex Group discloses for the first time in this report information on the so-called EU Taxonomy of Environmentally Sustainable Activities. The obligations related to this were introduced by Regulation (EU) 202/852 of the Parliament and of the Council of the 18th of June 2020. In the first year of operation, in accordance with the content of Commission Delegated Regulation (EU) 2021/2178, Budimex Group discloses the percentage of turnover, capital expenditures and operating expenditures qualifying for the systematics (Taxonomy), without the need to verify the Technical Qualification Criteria, i.e. to determine what percentage of these three values is related to with environmentally sustainable activities.

## Accounting principles

The following rules have been applied to calculate the percentage of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) eligible for systematics:

### Turnover

For turnover, the basis was the Group's total consolidated revenue in 2021 as disclosed in the consolidated financial statements in the consolidated income statement under "Net revenue from sales of products and services and goods and materials". Revenues from qualifying systematic activities were assigned to the numerator.

### Capital expenditure (CapEx)

For the capital expenditures (CapEx), the basis was the capital expenditures incurred in all Group companies that were reported in the consolidated statement of cash flows within investing activities under "Acquisition of intangible assets and property, plant and equipment". The numerator was attributed to that part of CapEx that relates to activities that qualify for systematisation. For capital expenditure on construction vehicles, equipment and machinery, the proportionate allocation method has been applied. The Group uses construction

vehicles, equipment and machinery that are used in the performance of various contracts, both related to systematic eligible and non-eligible activities; in addition, the same machine may be used at different times of the year on different contracts. The total capital expenditure on construction vehicles, equipment and machinery was therefore allocated to the various activities in a proportion corresponding to the proportion of revenue from the contracts concerned. The above does not apply to capital expenditure in the company FBService, where the allocation of CapEx was made directly.

### Operating expenditure (OpEx)

For operating expenses (OpEx), the basis was all costs used to operate the Group's assets on a day-to-day basis and keep them in proper working order. The numerator was allocated the portion of OpEx that relates to activities that qualify for systematisation. For operating expenses for construction equipment and machinery, the proportional allocation method was applied in the same way as in the CapEx case described above. For operating expenses relating to vehicles and machinery used in the FBService segment, the allocation of OpEx was made directly.

For operating expenses, which are defined in the Commission Delegated Regulation (EU) 2021/2178 in a way that does not refer to International Financial Reporting Standards, all accounts in the Group's accounting system were reviewed and then the identified items meeting the definition of OpEx related to the maintenance of construction vehicles, equipment and machinery in good condition were allocated on a pro-rata basis and items related to vehicles and machinery used for waste management were allocated directly to the relevant activity. Operating expenses are cost items in the income statement, unlike capital expenditure, which is an increase in the balance of tangible and intangible assets, and therefore the values included in the CapEx and OpEx calculations are separate.

The Group discloses in this report for the first time the share of activities that qualify for systematic in respect of the reported period, i.e. 01.01.2021-31.12.2021, so the disclosure does not include information on changes in data for previous periods.

Due to the fact that in the first year of reporting only the percentage of turnover, capital expenditures and operating expenditures that qualify for the systematics are disclosed (and not those that comply or do not comply with the systematics), activities contributing to more than one environmental objective were not identified. Consequently, there was no need for special procedures to avoid double counting.

Furthermore, no disaggregation of key performance indicators was made between the Group's individual operating units. At the same time, the Group identifies the need for such disaggregation in the following year, when the fulfilment of the Technical Qualification Criteria will be verified.

## Turnover

Table 1: Percentage of turnover eligible for systematics

Economic activity	Code(s)	Turnover	Part of turnover
		PLN million	%
A. ACTIVITIES ELIGIBLE FOR SYSTEMATICS			
Electricity production from wind energy	4.3.	4	0.1%
Construction, extension and operation of water extraction, treatment and supply systems	5.1.	190	2.4%
Construction, extension and operation of sewage collection and treatment systems	5.3.	18	0.2%
Collection and transport of non-hazardous waste in fractions segregated at source	5.5.	663	8.4%
Infrastructure for rail transport	6.14.	1,973	24.9%
Infrastructure supporting low emission road transport and public transport	6.15.	2,316	29.3%
Supporting infrastructure for low-emission waterborne transport	6.16.	144	1.8%
Construction of new buildings	7.1.	1,364	17.2%
Installation, maintenance and repair of energy efficiency equipment	7.3.	1	0.0%
Total (A)		6,674	84.4%
B. ACTIVITES NON-ELIGIBLE FOR SYSTEMATICS			
Turnover from non-systematically eligible activities (B)		1,237	156%
Total (A+B)		7,911	100.0%

The Group generates revenue from several business segments, most of which are included in the systematics in terms of Attachment I and II of the Delegated Climate Act (Commission Delegated Regulation (EU) 2021/2139). The main revenue items from activities included in the systematics in 2021 were:

- Revenues from the execution of contracts in the field of transport infrastructure construction in the amount of PLN 4,434 million, concerning the construction of infrastructure supporting low-emission road transport and public transport (PLN 2,316 million), infrastructure for railway transport (PLN 1,973 million) and infrastructure supporting low-emission water transport (PLN 144 million).
- Revenues from the execution of contracts for the construction of new buildings amounting to PLN 1,364 million.
- Revenues related to the construction of water collection, treatment and purification facilities amounting to PLN 190 million and sewage collection and treatment facilities of PLN 18 million.
- Revenue of the Group's waste management segment amounting to PLN 663 million.

In addition, the Group generated revenues in 2021 from the generation of electricity from wind energy (PLN 4 million) and from the installation of equipment to increase the energy efficiency of buildings (PLN 1 million)

The percentage of turnover eligible for systematics in total turnover was 84.4% in 2021.

## Capital expenditure (CapEx)

Table 2: Percentage of capital expenditure (CapEx) eligible for systematics

Economic activity	Code(s)	Capital expenditure (CapEx) (absolute value)	Part of capital expenditure
		PLN million	%
A. ACTIVITIES ELIGIBLE FOR SYSTEMATICS			
Construction, extension and operation of water extraction, treatment and supply systems	5.1.	1	0.8%
Collection and transport of non-hazardous waste in fractions segregated at source	5.5.	31	29.7%
Infrastructure for rail transport	6.14.	41	39.4%
Infrastructure supporting low-emission road transport and public transport	6.15.	18	17.1%
Infrastructure supporting low-emission waterborne transport	6.16.	1	0.6%
Construction of new buildings	7.1.	6	5.7%
Installation, maintenance and repair of energy efficiency equipment	7.3.	0	0.0%
Total (A)		97	93.3%
B. ACTIVITES NON-ELIGIBLE FOR SYSTEMATICS			
Capital expenditure (CapEx) on activities not eligible for the systematics (B)		7	6.7%
Total (A+B)		104	100.0%

Capital expenditure (CapEx) eligible for systematics is related to the implementation of investment plans approved by the Board. Capital expenditures were incurred primarily for:

Capital expenditures were incurred primarily for:

- Expenditure on machinery park, including vehicles, equipment and construction machinery of PLN 64 million.
- Expenditure on vehicles and machinery used in the waste management segment in the amount of PLN 41 million.

The share of capital expenditures eligible for systematics in total capital expenditures was in 2021 was 93.4%.

## Operating expenditure (OpEx)

Table 3: Percentage of operational expenditure (OpEx) eligible for systematics

Economic activity	Code(s)	Operating expenditure (OpEx) (absolute value)	Part of operating expenditure
		PLN million	%
A. ACTIVITIES ELIGIBLE FOR SYSTEMATICS			
Construction, extension and operation of water extraction, treatment and supply systems	5.1.	1	1.1%
Collection and transport of non-hazardous waste in fractions segregated at source	5.5.	26	35.4%
Infrastructure supporting low-emission road transport and public transport	6.15.	19	26.2%
Supporting infrastructure for low-emission waterborne transport	6.16.	1	0.9%
Construction of new buildings	7.1.	6	8.4%
Installation, maintenance and repair of energy efficiency equipment	7.3.	0	0.0%
Total (A)		63	86.6%
B. ACTIVITES NON-ELIGIBLE FOR SYSTEMATICS			
Operating expenditure (OpEx) for activities not eligible for the systematics (B)		10	13.4%
Total (A+B)		73	100.0%

In the case of operating expenses (OpEx), the largest amount (PLN 37 million) was related to repairs and maintenance of construction vehicles, equipment and machines. In turn, operating expenses of PLN 26 million were incurred on repair and maintenance of waste management vehicles and machines.

The share of operating expenditure eligible for systematics in total operating expenditure was 86.6% in 2021.



# Climate change and the environment



## Managing the environmental area

The CSR Strategy 2021–2023 is the document that sets the right track for the changes taking place in the management of the environmental area. The Management Board of the Budimex Group has direct supervision over the implementation of the Strategy’s objectives. Full information on the assumptions of the Strategy can be found in chapter Strategy of the Budimex Group.

Responsibility for the implementation of operational activities in the environmental area lies with the Purchasing, Quality and Environment Office.

The overarching documents regulating the management of climate and environmental impact in the Budimex Group are the “Principles of Company Responsibility Policy”, supported by the “Principles of Environmental Policy”. The aforementioned documents contain obligations and principles supporting reduction of the environmental impact, effective management of natural resources and promotion of environmental responsibility in the supply chain.

The Budimex Group is aware of the impact that its activities may have on the environment and climate. The environmental impact of the Group may have the following dimensions:

- local – through interference in the functioning of the biosphere as a result of construction works,
- global – exerted through contributions – positive or negative – to climate change

A large part of the environmental impact of construction is generated by subcontractors, which is why it is so important for the Budimex Group to maintain good relations and effective cooperation with subcontractors, suppliers and business partners. The joint action translates into measurable effects regarding the environmental impact generated along the entire value chain. All subcontractors working with Budimex are pre-qualified in terms of respecting the principles of environmental protection. It is extremely important that they follow the procedures, have relevant experience and fully operational equipment.

In addition, all subcontractors brought onto the site receive appropriate training in the applicable environmental procedures, including emergency procedures. The equipment they use is also assessed for its technical performance.

**“Environmental Policy Principles” obligate Budimex Group to, among other things:**



“Budimex Environmental Protection Standards” regulate principles of proper protection of water, soil, air and biodiversity during the execution of construction works and auxiliary processes. Environmental procedures on construction sites are created as part of uniform internal procedures: “Environmental Management on Contracts” and “Organisation and Management of Health, Safety and EIA on Contract”.

Budimex Group’s environmental standards go beyond legal obligations and concern:

- routing of technological roads in such a way as to ensure economical use of land minimal transformation of its surface,
- restoring the site to its pre-construction condition,
- minimising tree felling, relocating plants and carry out compensatory planting,
- protecting trees in the construction impact zone from mechanical damage,
- preparation of construction backup facilities (warehouses, depots, transport bases): they are preferably located in already developed and transformed areas, as far as possible away from residential buildings and environmentally valuable areas,
- limit land take in forest and wetland areas to the minimum necessary,
- transport of materials necessary for construction, which takes place primarily within the designated road lane,
- introducing solutions protecting against pollution with chemical substances from construction in the sections where earthworks and construction works are carried out near water reservoirs,
- paying particular attention to protecting the environment from contamination by oil products from construction vehicles and machinery,
- relocation of fauna and flora living in habitats colliding with the construction to new sites,
- monitoring of the construction site by natural scientists – e.g. ornithologists, ichthyologists, herpetologists, entomologists, botanists, chiropterologists depending on the specifics of the site and protected species present,
- stopping construction work if animals appear in the investment area,
- implementation of the schedule and work cycle in close correlation with the natural cycle,
- carrying out construction works in the vicinity of noise-protected areas only during daytime,
- management of materials and waste based on the 3R principle (reduce, reuse, recycle),
- reduction to a minimum of the idling time of combustion engines of construction machinery and vehicles,
- speed limits in and around the construction site,
- preparing construction sites for unforeseen emergency situations and providing them with the necessary equipment in case of an incident.



# Climate change and the environment



13 SDG

## Climate change and the long-term outlook for the Group's business

Progressive climate change and stopping it is one of the most important challenges in the world today. Climate change is a complex process affecting every area of life. It can also directly affect business operations, including the construction industry.

### Prospects for the future

In its latest report, the IPCC indicates that climate change is already affecting every inhabited region around the world, with human influence contributing to many of the observed changes in weather and climate extremes.<sup>7</sup>

In the most optimistic scenario presented in the IPCC report (SSP1-1.9), which assumes that CO<sub>2</sub> concentrations peak and fall during the 21<sup>st</sup> century, land and oceans begin to absorb less carbon dioxide in response to falling CO<sub>2</sub> concentrations in the atmosphere. This scenario assumes the achievement of global zero-carbon by 2050, and will bring global temperature levels to a standstill of 1.5°C relative to pre-industrial times. The implementation of this scenario involves regulatory pressure to, for example, increase the price of emission allowances and the need to implement ambitious solutions to reduce greenhouse gas emissions by business.

In opposition to the optimistic scenario are business-as-usual scenarios, in which the global community does not take sufficient steps to reduce its negative impact on climate. Realisation of pessimistic IPCC scenarios (SSP3-7.0 and SSP5-8.5), in which maximum increase of average temperatures fluctuates around 7–8.5°C in XXI century, may mean materialisation of many threats related to rising temperatures. For Central and Eastern Europe this could mean, for example, significant difficulties in access to clean water, losses in biodiversity and a significant increase in the frequency of sudden events such as fires, floods or severe storms. Recognizing a significant potential impact of climate change on the operations of the Budimex Group, the Management Board decided to conduct, among others, a Climate Risk Analysis.

### Analysis of climate risks in the Budimex Group

In 2021, climate change risks were identified and further analysed in the Budimex Group. As part of the risks, the opportunities and threats arising from them were identified and assessed.

The study was carried out according to the AXIS® methodology through an external consulting firm. The aim of the study was to identify short-, medium- and long-term physical and transformational risks related to climate change and sustainability issues. The categorisation of risks was done according to TCFD (Task Force on Climate-Related Disclosure) guidelines and on definitions from ISO 3100.

The study was conducted in three stages:

- analysis of significant climate risks in the comparison group,
- questionnaire survey of an expert group selected in the company,
- calculation of results and categorisation of identified risks, threats and opportunities.

The study included 30 risks divided into 8 groups. Within the risks, 26 potential opportunities and 37 potential threats were identified. According to the AXIS® methodology, risks are assessed on the basis of three dimensions: probability of occurrence, magnitude of impact and time horizon. Probability represents the possibility that a given hazard/opportunity could occur with a given impact. Impact represents the significance of the effects of a given threat/opportunity if it occurs. The time horizon is predetermined by the validity date of the materiality assessment. The horizon was assessed on a point scale containing five time frames (2021–2022, 2023–2025, 2025–2030, 2030–2040, 2040–2050).

When time horizons are referred to in the survey results, they are defined as follows:

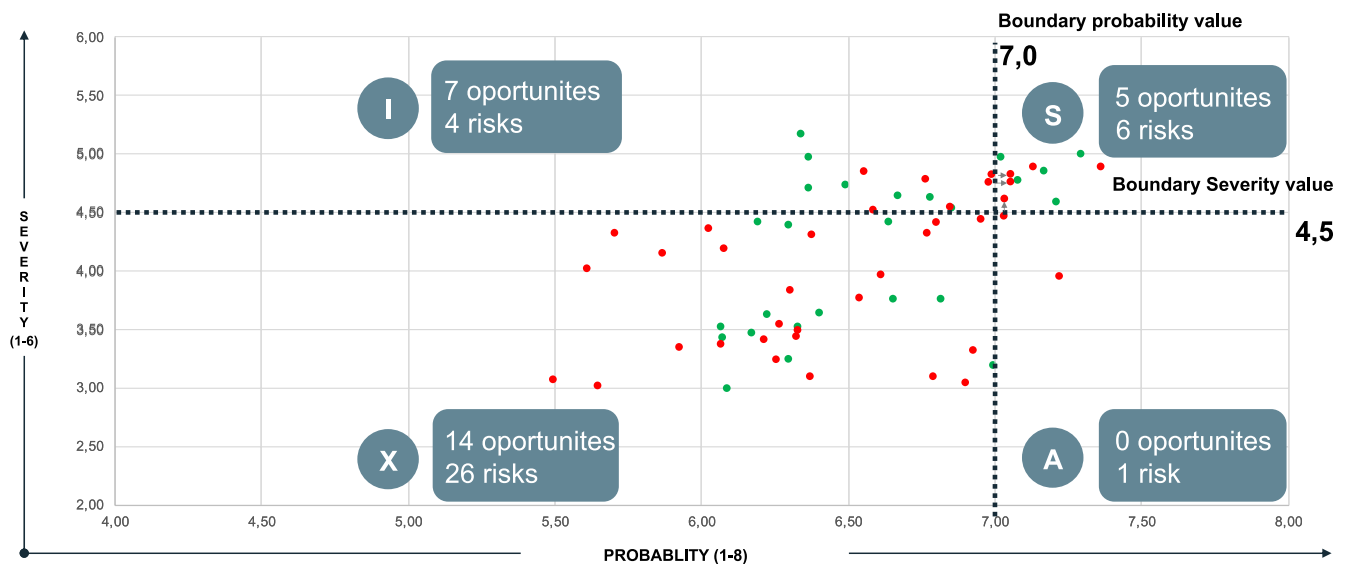
<sup>7</sup> Intergovernmental Panel on Climate Change, Climate Change 2021 The Physical Science Basis Summary for Policymakers, Szwajcaria, 2021, s.10

Horizon		
Short	1	3
Medium	4	10
Long	11	30

On the basis of the rating assigned to the opportunities and threats, a classification into one of the groups is made. Threats and opportunities identified as significant are placed in Group S (Seizure). Opportunities and threats assigned to Group I (Intensification) and Group A (Amplification) are at this stage subject to monitoring and only in selected cases to management. Opportunities and threats assigned to Group X (eXclusion) are subject to monitoring in selected cases.

In the study described above, the following groups were classified:

- Group A (Amplification) – high probability and low severity:
  - 0 opportunities
  - 1 threat
- Group X (eXclusion) – low probability and low severity:
  - 14 opportunities
  - 26 threats
- Group I (Intensification) – high severity and low probability:
  - 7 opportunities
  - 4 threats
- Group S (Seizure) – high probability and high severity:
  - 5 opportunities
  - 6 threats



In the table below we present the risks classified as significant in the analysis process:

Risk	Threat / opportunity	Time Horizon	Management
<b>Long-term physical risks</b>			
Risk of rising average temperatures	Threat of the impact of rising average temperatures on contract working conditions	Medium – long	Budimex Group cares about ensuring compliance with health and safety conditions on construction sites, including proper adjustment of the planned works to the prevailing weather conditions so that they do not pose any threat to its own employees and subcontractors.
<b>Policy and regulatory/legislative risks</b>			
Risk of introducing taxes, tariffs or other carbon levies	Threat of increased costs due to introduction of tax, tariff or other carbon charges	Medium	The Budimex Group is actively increasing the mix of low-carbon and zero-emission energy and works on green mobility. This topic is a fixed point in strategic plans.
Risk of changes in legislation and energy efficiency standards	Threat of stricter legislation on energy efficiency of buildings	Short	Risk management is implemented primarily through planning to increase the share of certified raw materials and products for Budimex Group projects and LEED and BREEAM certification.



Risk of changes in legislation and energy efficiency standards	Opportunity to reduce emissions and energy consumption by increasing the energy efficiency of constructed buildings	Medium	Risk management is implemented primarily through planning to increase the share of certified raw materials and products for Budimex Group projects and LEED and BREEAM certification.
Risk of extension of obligations to calculate greenhouse gas emissions	The threat of having to calculate and report the carbon footprint of buildings	Medium	Budimex Group monitors Scope 1 and 2 greenhouse gas emissions calculated in accordance with the GHG Protocol methodology.
Risk of extension of obligations to calculate greenhouse gas emissions	Opportunity to prepare for carbon footprint reporting obligations more efficiently than competitors	Short – medium	The Budimex Group plans to expand the calculation of GHG emissions to include Scope 3 elements.
Risks associated with a circular economy	Opportunity to offer waste management services in a manner consistent with the principles of the circular economy	Medium – long	Opportunities may include management through research and development (in-house and in cooperation with a strategic investor) to research, implement and apply components and technologies in line with the principles of the circular economy.
<b>Technological risks</b>			
Risk of emissions of energy sources	Threat of rising energy prices as a result of a high-carbon electricity mix in Poland or in other countries	Short – medium	The threat is managed by increasing the share of energy from emission-free sources in the mix of energy purchased by Budimex Group entities.
<b>Market risks</b>			
Risk of increase in prices of raw materials, consumables and services	Risk of increased costs of raw materials, supplies and services due to other climate risks	Medium	The answer to the threat is to plan access to materials with low environmental cost or to develop them independently.
Risk of making access to finance contingent on addressing the climate crisis	Opportunity for facilitated access to or cheaper financing for meeting climate crisis criteria	Long	The Budimex Group plans to intensify its efforts to maintain and improve its ESG ratings.
Risks of cooperation with suppliers	Opportunity for knowledge and competence transfer with the support of a strategic investor	Short – Medium	Budimex Group actively uses the good practices and strategic approach developed by the Ferrovial Group.  The Budimex Group actively cooperates with its suppliers and subcontractors, sharing best practices with them in ESG areas.

# Climate change and the environment



[GRI 302-1]  
[GRI 302-3]  
[GRI 302-4]

## Fuels and energy

The Budimex Group's demand for fuel and energy results primarily from:

- production of bituminous mixtures,
- operation of construction machinery, transport of materials, raw materials,
- waste,
- the use of official vehicles.

The current energy consumption of works, and thus the emission factor, is closely related to the stage of implementation of a given investment

and results, among other things, from the level of demand for transport, machine operation and bituminous mass production. Relatively long cycle of execution of contracts, because it lasts over a year, makes the comparison of energy demand and energy intensity on an annual basis not very reliable. Positive or negative changes in results may result from the current status of the contract portfolio, and not from changes in the operating model. Such changes occur, however, as the Budimex Group undertakes operational activities aimed at permanent reduction of energy consumption and emissions (e.g. through successive replacement of equipment) and educational activities addressed to employees, which translate into lower consumption of electricity and fuels.

		The Budimex Group		
	Unit	2020	2021	y/y change
Light fuel oil	MWh	4,899.92	6,759.92	38.0%
Coal dust	MWh	66,209.45	71,499.92	8.0%
Mains natural gas	MWh	2,714.07	1,774.53	-34.6%
LPG	MWh	0.82	8,156.68	-
Propane-butane	MWh	448.88	112.52	-74.9%
Propane	MWh	0.00	1356.43	-
Petrol	MWh	11,703.42	16,678.42	42.5%
Diesel	MWh	146,961.08	132,714.55	-9.7%
CNG	MWh	0.00	1,144.45	-
Electrical energy	MWh	27,634.24	23,814.13	-13.8%
Electricity from renewable sources	MWh	4,418.15	7,069.59	60.0%
Thermal energy	MWh	14,318.49	10,789.31	-24.6%
Total energy	MWh	274,890.37	274,800.85	0.0%

Since 2019, Budimex Group has been transforming its fleet in line with the principles of green electromobility. The percentage of electric and hybrid vehicles is successively increased. Extensive activities in this respect constitute one of the important areas of strategic action.

The complete summary of fuel and energy consumption at Budimex SA. and in the Holding Company Group can be found in the Attachment.

# Climate change and the environment



Celu 13 SDG.  
[GRI 305-1]  
[GRI 305-2]  
[GRI 305-4]  
[GRI 305-5]  
[GRI 305-7]  
[TCFD]

## Reducing greenhouse gas emissions

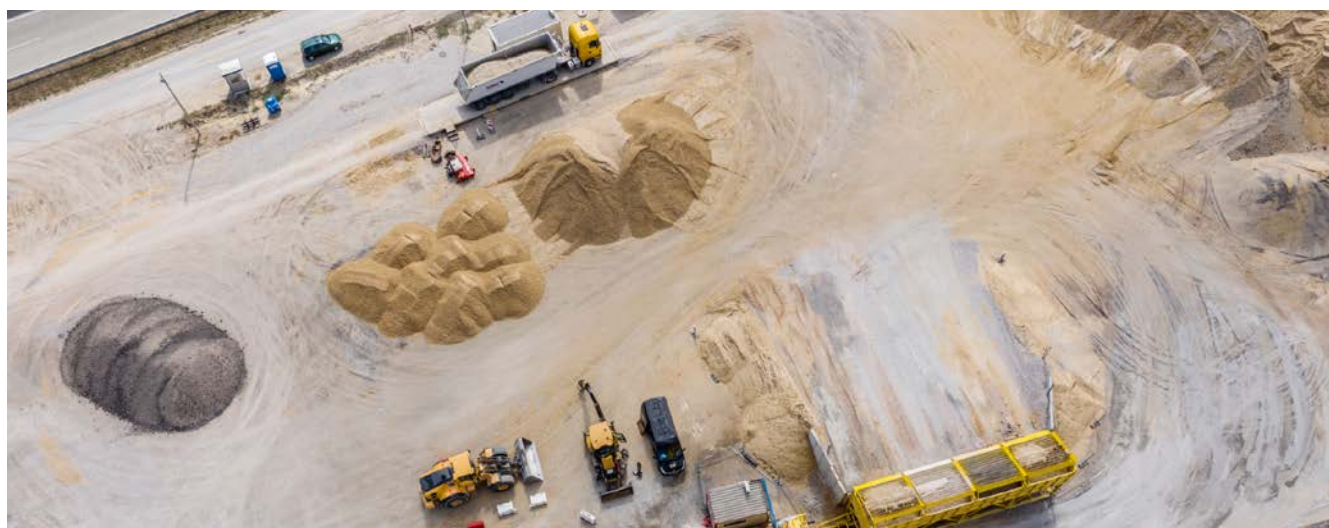
All companies of the Budimex Group manage activities affecting the level of emissions. The activities in this scope are concentrated in key areas listed in the CSR Strategy 2021–2023. In order to continuously reduce the carbon footprint, e.g. solutions optimising fuel and energy consumption in operating processes, energy efficient building design (the area includes LEED and BREAM certification) and fleet replacement with reduced or zero emission vehicles for transport. 100% of energy used in Budimex SA in 2021 came from certified renewable sources.

Emission calculations have been prepared in accordance with the standards: The Greenhouse Gas Protocol. A Corporate Accounting and Reporting Standard Revised Edition as well as GHG Protocol Scope 2 Guidance. The GHGs identified and included in the calculations are CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O, which have been expressed as CO<sub>2</sub> equivalents. No

biogenic CO<sub>2</sub> emissions were identified. The sources for the emission factors were in the vast majority publications of KOBIZE (National Balancing and Emission Management Centre), the Energy Regulatory Office (URE) and indicators published by electricity retailers. The volume of emissions from the production of electricity was calculated according to the market-based method, where for electricity (for which the seller was known), the emission factors provided by the seller were used, and for energy from RES confirmed by Guarantees of Origin, the factor of 0 kg CO<sub>2</sub>e/kWh was used.

		The Budimex Group		
	Unit	2020	2021	y/y change
<b>Scope 1</b>	Mg CO <sub>2</sub> e	89,027.1	68,361.0	-23.2%
<b>Scope 2 market-based</b>	Mg CO <sub>2</sub> e	20,856.5	16,030.1	-23.1%
Scope 2 location-based	Mg CO <sub>2</sub> e	25,670.0	25,532.1	-0.5%
<b>Total market-based emissions</b>	Mg CO <sub>2</sub> e	109,883.6	84,391.1	-23.2%

# Climate change and the environment



SDG 12  
[GRI 301-1]  
[GRI 306-1]  
[GRI 306-3]  
[GRI 306-4]  
[GRI 306-5]

## Raw materials and waste

### Raw materials

The raw materials and resources most commonly used in the course of the works carried out by the Budimex Group include: modified and ordinary road asphalt, cement, concrete, steel, hydraulic binders, lime meal, aggregates: asphalt (including sand and gravel), construction aggregates (sand, gravel), road aggregates (sand, gravel and others),

hyrotechnical stone and railway ballast. Of these materials, slag, rock cuttings, cement, crushed aggregate for bituminous mass, crushed aggregate mixes, concrete, steel, wood are potentially recyclable. Efficient (environmentally and economically) management of the demand for materials and raw materials and their recycling is made possible by the VE (value engineering) monitoring system.

### Raw materials and resources\*

		Budimex SA		
	Unit	2020	2021	y/y change
Concrete	m <sup>3</sup>	749,566.0	841,198.9	+12.2%
Cement	Mg	164,980.0	126,350.4	-23.4%
Steel	Mg	43,481.0	44,166.0	+1.6%
Asphalt	Mg	41,523.0	44,262.7	+6.6%
Hydraulic aggregates	Mg	183,040.0	128,830.0	-29.6%
Railway ballast	Mg	425,350.0	262,200.0	-38.4%
Railway tracks	Mg	9,529.0	7,138.0	-25.1%
Concrete railway sleepers	units	17,636.0	90,538.0	+413.4%
Wooden railway sleepers	units	8,016.0	3,595.0	-55.2%
Wooden subframes	m <sup>3</sup>	1,280.0	264.0	-20.6%
Coarse aggregate (grit)	Mg	635,864.3	678,828.0	+6.8%
Fine aggregate	Mg	175,549.8	171,817.0	-2.1%
Continuous aggregate (other aggregates)	Mg	49,773.3	99,828.9	+100.6%
Limestone flour (fillers)	Mg	19,816.6	20,034.3	+1.1%
Coal dust for WMB CN27021000	Mg	1,221.9	11,784.0	+5.0%

\*Reference data on aggregate consumption is taken from a selected operating unit as a representative example.



	Mostostal Kraków Sp. z o.o.	
	Unit	2021
Steel (Sheet)	Mg	3,453.0
Steel (Profiles)	Mg	7,360.7

## Waste

Waste generated during construction is mainly from demolition and renovation work, and the total amount depends on the number of contracts and their stage of advancement. Waste management on construction sites is regulated in the “Waste Management Plan” included in the Health and Safety Plan.

If hazardous waste is to be generated during the works, the contractor is obliged to include this issue in the “Manual for the Safe Execution of Works”, and to respond to emergency situations and environmental incidents. Proper management of waste on construction sites, including the monitoring of possible residues of hazardous substances, is carried out on an ongoing basis by laboratories located on the project site.

Different types of waste are generated at each stage of construction. Brick and concrete rubble is generated at the initial stage of demolition of facilities at the site where the new development will be built, and old

asphalt, track ballast – after the removal of the road and tracks. The most frequently generated waste is soil and rubble, stones and waste from renovation and dismantling of buildings and road infrastructure. Many of them can be reused at subsequent stages of the works. Removed soil is a valuable raw material for use in finishing works. Shrubs and branches from logging, which is often unavoidable, can be used as biomass fuel or garden material after being ground into small pieces (chipping).

Waste generated at construction sites is increasingly being put to economic use (e.g. crushed concrete from demolition, which can be used as aggregate, asphalt pulp removed – asphalt rubble). In construction and demolition work. In the course of construction and demolition work, the following materials can be separated: metal, wood, glass, rubble, soil and earth or ballast.

	Unit	Grupa Budimex		
		2020	2021	y/y change
Non-hazardous waste	Mg	5,951,766.61	2,903,193.55	-51.2%
Hazardous waste	Mg	1,534.85	2,841.12	+85.1%

A subsidiary of the Budimex Group, FBŚerwis, conducts activities one of the key areas of which is waste management. Below is a detailed breakdown of waste management in FBŚerwis.

	Unit	FBŚerwis SA		
		2021		
		processed on the premises	processed off-site	total
<b>Waste collected and sent for recycling</b>				
<b>Hazardous waste</b>	<b>Mg</b>	<b>0.00</b>	<b>7.83</b>	<b>7.83</b>
Preparation for re-use	Mg	0.00	0.00	0.00
Recycling	Mg	0.00	0.00	0.00
Other forms of recovery	Mg	0.00	7.83	7.83
<b>Non-hazardous waste</b>	<b>Mg</b>	<b>6.34</b>	<b>241,652.10</b>	<b>241,658.44</b>
Preparation for re-use	Mg	0.00	0.00	0.00
Recycling	Mg	6.34	63,685.80	63,692.14
Other forms of recovery	Mg	0.00	177,966.29	177,966.29
<b>Total waste collected and sent for recycling</b>	<b>Mg</b>	<b>6.34</b>	<b>241,659.93</b>	<b>241,666.27</b>
<b>Waste collected and sent for disposal</b>				
<b>Hazardous waste</b>	<b>Mg</b>	<b>0.00</b>	<b>0.68</b>	<b>0.68</b>
Combustion (with energy recovery)	Mg	0.00	0.00	0.00
Combustion (without energy recovery)	Mg	0.00	0.00	0.00
Storage at landfills	Mg	0.00	0.68	0.68
Other waste management options	Mg	0.00	0.00	0.00
<b>Non-hazardous waste</b>	<b>Mg</b>	<b>58,880.42</b>	<b>120,008.78</b>	<b>178,889.20</b>

Combustion (with energy recovery)	Mg	0.00	27,137.70	27,137.70
Combustion (without energy recovery)	Mg	0.00	59,229.40	59,229.40
Storage at landfills	Mg	58,880.42	33,641.68	92,522.10
Other waste management options	Mg	0.00	0.00	0.00
<b>Total waste collected and sent for disposal</b>	<b>Mg</b>	<b>0.00</b>	<b>27,137.70</b>	<b>27,137.70</b>
<b>Total hazardous waste</b>	<b>Mg</b>	<b>0.00</b>	<b>8.51</b>	<b>8.51</b>
<b>Total non-hazardous waste</b>	<b>Mg</b>	<b>58,886.76</b>	<b>361,660.88</b>	<b>420,547.64</b>
<b>Total waste</b>	<b>Mg</b>	<b>58,886.76</b>	<b>361,669.39</b>	<b>420,556.15</b>

# Climate change and the environment



SDG 6  
[GRI 303-3]  
[GRI 303-5]

## Protection of water resources

The management of water resources is one of the important topics managed under the CSR Strategy 2021–2023. The demand and actual consumption of water resources is highly dependent on the nature and stage of execution of the contracts on which construction work is carried out during the balance sheet period.

### Water and sewage

		Budimex Group		
		2020	2021	y/y change
Water consumption				
Water purchased	m³	197,848.2	143,753.0	-27.3%
Water from own intakes	m³	1,661.0	1,835.1	+10.5%
<b>Total water consumption</b>	<b>m³</b>	<b>199,509.2</b>	<b>145,588.2</b>	<b>-27.0%</b>

# Climate change and the environment



## Impact on the local environment and biodiversity

Formally, the investor is responsible for the project preparation, including social consultations and determination of the environmental impact level. The companies of the Budimex Group, acting as the general contractor, have no direct impact on these issues, except for the situation where, being a designer under a given contract, they participate in preparation of the investment from the environmental and social point of view. The key to success is careful organisation of construction sites and their facilities, and in particular the routing of technological routes in such a way as to be as little onerous as possible for road users and local residents.

Construction sites, warehouses, depots and transport bases are preferably located on developed and transformed land. As far as possible, the construction site is organised at a safe distance from residential areas. During project implementation, materials and raw materials are primarily transported using already existing road lanes. Tree trunks and roots are properly protected against mechanical damage from heavy equipment, animal and plant habitats are cordoned off and water bodies are protected against potential pollution with chemicals.

After completion of the works, the surroundings shall be restored to a state as close as possible to that prior to construction. Trees that had to be removed are replaced by new ones and the topsoil that had to be removed is reused.

It is also common practice to move plants from construction sites to new sites with the same or similar habitat and soil conditions (so-called metaplantation).

Due to the potential impact of construction works on habitat destruction or animal disturbance in 2021, there was a need to relocate plants and animals. All related activities took place on the basis of obtained conditions included in derogation decisions issued by Regional Directors of Environmental Protection in accordance with the division of competences.

The schedule of construction works is adapted to the natural cycle, which means, for example, stopping works during the migration period of forest animals, amphibians, fish or the breeding period of birds.

Environmental improvements most often refer to the routing of roads in the vicinity of houses and animal crossings in accordance with their migration routes, the maintenance of protective zones (ecotones) in forests. Drainage systems are also created to protect nature. Another measure is erecting transparent noise barriers.

All works are carried out in accordance with the applicable legal requirements, including those relating to areas included in the Nature 2000 network. There is also a nature check of the area of impact and the habitats in the area, and a wildlife observation upon completion of the project. In accordance with the applicable regulations, prior to the commencement of an investment with a potentially significant impact on the natural environment, an environmental impact report is drawn up. The work on this document involves experts from various fields, including ornithologists, herpetologists, botanists, etc., participate in the preparation of this document. The report identifies potential risks and makes recommendations on mitigating the effects of the investment.

In 2021 during the performance of contracts Budimex SA carried out activities in accordance with the provisions of the decision on environmental conditions and building permits. As a result of the decision on environmental conditions, a number of protected areas and sites were determined on the construction sites and within 500m distance.

Specialists support all pro-environmental activities conducted by the Group, continuously monitoring the implementation of investments, issuing conclusions, recommendations and recommendations. The majority of construction sites are subject to environmental supervision in accordance with environmental decisions and agreements with the entity commissioning the investment. Additionally, it is sometimes carried out at the request of the contract management or preventively, even when not required by law. Thus, the Budimex Group applies the precautionary principle.

For employees and subcontractors, taking care of the environment is facilitated by signs placed on construction sites, informing about places for storing construction waste, washing pumps after concreting, areas requiring special care due to the presence of protected species or tree protection zones. The presence of relevant signs is verified during Site Assessment System audits.



One of the rules in force at construction sites operated by the Budimex Group is to have the so-called environmental first aid kit, i.e. a kit for quick reduction and neutralisation of leakages of substances hazardous to the environment, such as oils, petroleum derivatives.

They are located in marked areas and information about their location is made widely available to employees. In line with the precautionary principle, all potential contaminants are treated as environmental hazards until their nature and source are identified. Another requirement is to manage, record and collect the waste generated.

#### **Significant events between the end of the balance sheet period and the report publication date**

On the 4<sup>th</sup> of January 2022, a contract was signed between three bidding companies and the Border Guard for the construction of a 186 km dam on the Polish-Belarusian border. Budimex SA is responsible for the construction of a 100 km section of the dam.

On 25 January 2022, the Border Guard handed over the construction site for the dam to the contractors.

Budimex SA is the contractor for the dam in the Białowieża Forest section. The construction site includes a 2 km area of strict nature reserve, the remaining areas covered by the construction site are Nature 2000 protected areas and areas of other classification. The project assumptions foresee a construction period of six months. The construction takes place under the terms of the Law of 29 October 2021 on the construction of the state border security. By virtue of Art.6 of the mentioned Act, separate provisions do not apply to the investment, including construction law, water law, environmental law and the provisions on providing access to information on the environment, the geodesic and cartographic law, the law on spatial planning and development, the law

on the protection of agricultural and forest land and the environment, the law on railway transport, the law on special principles of preparing and implementing investments in the field of public roads, in particular the following is not required:

- a) building permission or notification,
- b) a decision on the location of a public purpose investment project,
- c) drawing up the construction project,
- d) obtaining other decisions, permits, opinions and agreements or making notifications.

As a result, the mode of consultations and actions for the preservation of biodiversity, which is applied in the case of investments carried out on principles not regulated by the above-described law, was not applied in the implementation of the described investment.

On the 26<sup>th</sup> of January 2022, representatives of the Budimex Group held consultations with local governments. The meetings were attended by representatives of the army, heads of 5 communes located on the investment route, forest inspectorates and the Mayor of the Hajnów district.

On the 14<sup>th</sup> of February 2022, the General Director of Environmental Protection expressed the opinion that the rapid construction of a permanent dam will be much more beneficial for nature than the existence of a temporary dam and the presence of a large number of people on the border.

On 15 February 2022, the County Roads Authority in Hajnówka signed an agreement with Budimex SA concerning the repair of damage to county roads that may be devastated during construction.

The Budimex Group identifies significant impact that dam construction may have on biodiversity.

# Climate change and the environment



## Nature conservation in the supply chain

We expect our subcontractors to comply with legal standards and environmental decisions. The requirements are contained in a separate attachment to the contracts (“Environmental Requirements”). Each subcontractor is required to respond to environmental emergencies and incidents in accordance with the Group’s and the Group’s standard of conduct.

Subcontractors attend mandatory training on environmental and emergency procedures. In addition, their equipment is subject to a technical performance assessment. Site supervisors receive specific training on environmental protection issues, other employees take part in regular training courses on occupational health, safety and environmental management on a contract basis.

The Environmental Protection Team is responsible for compliance with the adopted environmental protection rules, which conducts inspections and audits on the contracts being implemented. Budimex SA has a ded-

icated system for collecting data on environmental incidents, based on which information in this respect is reported from construction sites. Management of environmental incidents and accidents is part of the company’s Environmental Management documentation. Environmental standards for the prevention and prevention of environmental incidents have been developed internally, construction sites are equipped with environmental kits according to the specifics of the project. In 2021, 2 leakages of operating fluids due to failure of construction machinery components were recorded. In 2021 no environmental damage as a result of the Budimex Group’s activities was found, therefore no penalties in respect of environmental damage were imposed.

In 2021, the Budimex Group conducted a number of actions in cooperation with local governments. These actions included plantings, construction of green infrastructure for bus stops and education.

# Employee issues in the Budimex Group



## We care about safety

[GRI 403-1]  
[GRI 403-2]  
[GRI 403-7]  
[GRI 403-8]

### Health and Safety Management in the Budimex Group

As a company from the construction sector, the Budimex Group considers the area of occupational health and safety particularly important. Appropriate regulation and care for observance of the OHS rules is a key element of our responsibility towards employees, as well as other important stakeholders who expect the highest standards from us during execution of contracts. Ensuring safe working conditions for our employees is inscribed in the basic principles of the Budimex Group. The subject of health and safety is one of the main areas of the CSR Strategy 2021-2023.

As of 2019, Budimex has an ISO 45001 certificate – Occupational Health and Safety Management Systems. Mostostal Krakow also has ISO 45001 certification. ISO 45001 implies the commitment of all entities involved in the investment implementation process to create a safe workplace. In addition to management systems, the Budimex Group has “Ferrovia Minimum Standards for Occupational Health and Safety”. Their main message is the organisation of the construction process taking into account the principle that everyone – both employees of Group companies and their business partners – should return to their families and loved ones after finishing work. They emphasise this by saying: “nothing should stop us from respecting the safety rules, for which we must always find time”.

#### The Budimex Group also has an “Occupational Health and Safety Policy”, which provides for:

- ensuring safe and hygienic working conditions, effectively preventing accidents, near misses and occupational diseases for employees of the companies and their subcontractors,
- ensuring that the organisation has the right context for the scope of its activities, including all stakeholders and associated risks and opportunities,
- ensuring that OSH risks are monitored and reduced in line with the supervisory hierarchy principle,
- monitoring and strict compliance with applicable legal and other regulations in the field of occupational safety and health,
- providing proper training to the employees of the Group companies in order to continuously increase their commitment to improving working conditions and building leadership in the organisation,

- giving all employees and their representatives the opportunity to be consulted and to participate in the creation of shared safety by supporting initiatives to improve health and safety processes,
- continuous improvement of the OHS management system through exchange of best available practices.

### Health and Safety Commission and Health and Safety Executive Committee

The Group's companies have Health and Safety Committees with employee and employer representatives, which represent all employees. Their task is to carry out weekly health and safety inspections on all contracts. Inspection information and recommendations are collected in one place, making them easier to monitor.

In late 2019 and early 2020, in addition to the Health and Safety Committee, the Health and Safety Executive Committee was established at Budimex SA on the initiative of the Branch Directors. According to the plan for 2021, the Committee has met 4 times. A regular item of the Executive Committee is the discussion of Incident Statistics, including accidents, near misses and observations of hazardous situations and behaviours, Visits by Senior Management, Inspections of Health and Safety Services. The Committee set up several working groups during the reporting period with the following tasks:

- analysing the condition of machinery so as to develop solutions to eliminate accidents and update the accident procedure,
- development of Educational Campaigns addressed to the employees of the Budimex Group as well as to Subcontractors in the field of:
  - work in the vicinity of machinery,
  - work in the vicinity of aboveground and underground installations,
  - work at, near or on railways.

Employees from different levels of the organisation are involved in monitoring safety performance. The occupational health and safety services carry out occupational health and safety inspections on contracts and at the head office. The team of internal auditors monitors the correct functioning of the safety system by means of system audits. Compliance of the organisation of work on projects is verified by audits of the Construction Assessment System. As of 2019, a group of Budimex SA's management staff conducts Senior Management Visits, which are aimed at building a safety culture at all levels of the organisation.

## Accident prevention and OHS training

Budimex strives to ensure that the Group's employees follow the best health and safety practices in their daily work. Training in this area is organised more frequently than prescribed by law. The training programme is co-designed with the employees, who have an opportunity to consult and evaluate occupational health and safety workshops.

As part of periodic instructions provided by their immediate supervisors, they can update their knowledge on the most important hazards and health and safety rules related to the tasks they perform. Numerous campaigns were also conducted – both on the intranet (articles) and using standard communication tools (posters and leaflets placed in offices and on construction sites) on health and safety standards binding at Budimex.

## COVID-19 prevention

Since the introduction of the pandemic status in March 2020, an Interim Manual for Health and Safety Training is in force in the organisation. Health and safety training for supervisory staff is delivered via e-learning, for manual workers by their direct supervisors on the basis of materials developed by the Agreement for Safety in Construction. Training in the project's safety management system for the youngest staff as part of the Young Engineer Academy is conducted online. A number of training sessions and workshops were also organised as part of Safety Week, but they took place outdoors.

This year Budimex has also started a series of training courses on „OHS Leadership and Building Safety Culture in the organization” for Top Management, which are held on-site, whilst complying to the COVID safety regime, and each training is preceded by antigenic testing of internal trainers and all trainees.

The pandemic affected the form of training and development activities for Employees conducted by the Development and Training Department. The activities were shifted to the form of remote training, nevertheless maintaining the substantive scope and adjusting the needs and opportunities for employees to participate in the Training. The training offer in the union in 2021 was strengthened through a series of podcasts, eLearning platforms, instructional and training videos, and a series of Webinars.

Training in 2021 was largely conducted remotely, however, when required (e.g. training related to occupational safety on the Contract or technical training) it was conducted in a stationary form.

Stationary trainings were carried out with the approval of the supervisors, and with a sanitary regime. Tests for the SARS\_Cov\_2 virus were performed before the trainings. Hand disinfectant fluids and masks were available. In most cases, consent for such training was given for teams working continuously with each other and in programmes and projects requiring staff to attend training.

## Safety Week

In 2021, Budimex organised the annual “Safety Week”. Employees of the Budimex Group and Subcontractors had the opportunity to participate in a number of trainings, webinars and events that were offered as part of a rich programme. Centrally, 45 practical fire training sessions, 21 practical first aid training sessions and a number of health and well-being webinars, where participants could, for example, obtain practical information on combating tobacco addiction or on the prevention of breast and cervical cancer and testicular and prostate cancer. During the “Safety Week”, the DKMS Foundation conducted its action – Bone Marrow Donor Week. The foundation's webinar was attended by 175 people, and 39 signed up as bone marrow donors. Other events of the “Week of Safety” were attended by the following guests:

- PIP
- The Fire Brigade
- UDT
- Ambulance services
- GDDiK
- Investors

This year's “Safety Week” programme was attended by 3 605 employees of Budimex and 2 149 employees from 437 subcontractor companies.

**Safety in Construction** is a project promoting safety culture among the employees of Budimex SA. The basic assumption is to change the paradigm in thinking about safety and to redirect attention from formal issues (legal acts, instructions, etc.) to people and their decisions and actions. The second important element is to see safety as a process that requires the commitment and work of every employee, at every stage of work, every day. Safety is not a one-off product, we create it every day anew through our decisions and actions. The main objective of the project is to induce an attitude of co-responsibility for safety issues among Budimex employees by referring to values, a sense of personal empowerment, co-responsibility for one another and developing good habits of thinking and acting. The project included: educational and promotional films, webinars and one-pagers containing a summary of the most important content.

Among the invited guests were people from the world of business and science, who, due to their professional experience, could share valuable knowledge and inspire us to take a new look at safety with us. Krzysztof Hołowczyński showed us, using concrete examples, that the “shortcut” is always longer and the whole team is responsible for safety issues. Beata Kula and Mateusz Banaszkiewicz, in turn, talked about how cognitive errors and habitual actions can lead to decision-making mistakes and how to counteract them.

## Other OHS training

Training in the area of occupational safety has also found its place in the cyclical educational and development programmes implemented at the company. As part of the “Academy of the Young Engineer”, on-line trainings dedicated to young construction engineers were held, presenting the most important aspects of safety management at the level of a construction contract, cooperation with subcontractors and practical application of this knowledge on the example of works at height (which occur on many tasks performed by the Budimex Group).

At the end of the year, in the scope of the programme “Contract Manager Academy”: – a development programme that prepares employees for their role as contract managers, dedicated webinars were held on building a safety culture and safety leadership, as well as on the new responsibilities for implementing safety strategies at the level of the team they will manage in the future.

In 2020, a “Stand Down” awareness campaign was implemented for construction workers and subcontractors, with the aim of reinforcing attentiveness to all incidents with the potential to be fatal and responding to any perceived irregularities or unsafe behaviour on projects.

As part of its commitment to the ‘Agreement for Safety in the Construction Industry’, Budimex has developed a number of new standards (including the ‘Standard for Work in the Railway Area’) and occupational health and safety guidelines, through which it has made a significant contribution to improving safety in the industry.



## How Budimex reacts to accidents

In the Budimex Group, each accident is described in accordance with the Polish statutory classification as well as with the procedures and classification adopted by the strategic investor – Ferrovial Group. The Group's internal self-regulation is more restrictive than the legal regulations on accident rates. The Company conducts in-depth analyses of accidents and post-accident statistics (there are e.g. differences in the accident assessment process and the definition of severe accidents), which makes it possible to precisely identify which specific activities are a source of risk and which types of behaviour should be avoided and encouraged.

The exposure of workers to hazards depends on the nature of the work performed. In the case of construction contracts, hazards are related, for example, to the risk of falling from a height or injury in contact with construction machinery. In case of Mostostal Kraków SA, hazards arise from using band saws and machines with moving parts needed for processing steel structures and machines with moving parts, transport of structures by means of an overhead crane and their loading and unloading.

In turn, FBSerwis SA employees responsible for maintaining roads and motorways are exposed, among other things, to being hit by vehicles involved in traffic. Waste management involves risks related to biological agents (e.g. pricks, cuts by contaminated elements of waste) as well as the risk of being hit by machines and vehicles within and outside the waste treatment plant.

All accidents, regardless of their outcome, are treated with complete seriousness in the Budimex Group. Every serious incident is communicated throughout the organisation by means of alerts. Every year, the company conducts research into all incidents that have occurred in the organisation.

In the first half of 2021, EIR (Executive Incident Review) meetings were held every 2 weeks and in the 3<sup>rd</sup> and 4<sup>th</sup> quarter every week excluding world and public holidays. The purpose of the meetings was, as last year,

to share experiences, take and promote corrective action and appropriate post-accident handling. As a result of the analysis of accident data, a number of preventive measures were taken in 2021:

- provision of Budimex supervisory staff on each day of construction work – systematic reporting of planned staffing for the weekend to the Area Director has been implemented,
- educating employees of Budimex and Subcontractors by providing information on accidents and PAEs (Potentially Accidental Events) with a fatal potential during quarterly and safety instructions, and making them familiar with alerts,
- implementation of “Health and Safety Patrols” on all railway sites – involvement of management, and education of young workers in identifying risks and applying good practices on the site, exchange of observations between professionals, involvement of workers in health and safety review of the site,
- prohibiting unauthorised workers from repairing construction machinery on the site,
- educational training for supervisory staff (review with staff all circumstances and formalities for dealing with accidents; analysis of causes; information on possible consequences),
- the introduction of compulsory weekly coordination meetings,
- introduction of responsibility training for the supervision of Subcontractors carried out by Budimex supervision,
- the introduction of compulsory rounds of site supervision at the end of the working day, taking into account the completeness of the health and safety arrangements at the end of the day. If there are any deficiencies, the designated persons will work to rectify them the following morning.

In the reported period no cases of occupational diseases were identified in the Budimex Group.

[GRI 403-9]  
[GRI 403-10]

	The Budimex Group		
	2020	2021	y/y change
<b>Accidents among employees</b>			
Number of accidents, of which:	134	114	-14,9%
Number of hours	-	14 226 081	-
Light accidents	131	110	-16,0%
Accident rate	-	7,7	-
Serious accidents	3	4	+30,0%
Accident rate	-	0,3	-
Fatal accidents	0	0	-
Accident rate	-	0,0	-
<b>Accidents among subcontractors' employees</b>			
Number of accidents, of which:	53	43	-18,9%
Number of hours	-	17 830 443	-
Light accidents	48	39	-18,8%
Accident rate	-	2,2	-
Serious accidents	3	0	-100,0%
Accident rate	-	0,0	-
Fatal accidents	2	4	+100,0%
Accident rate	-	0,2	-
<b>Accident rates</b>			
Accident frequency rate (accidents at work per 1,000 employees)	18.4	16.2	-11.9%

Other OHS indicators	Budimex Group
	2021
Number of employees working in the given year in conditions exceeding maximum allowable concentrations (NDS) or maximum allowable intensities (NDN)	1 025
Number of days of incapacity to work due to accidents	3 642
Accident severity rate (number of days of work incapacity per accident)	25,5
Number of cases of occupational diseases diagnosed in a given year	1
Accident rate	4,7728

The most common types of injury among employees were dislocations and joint sprains, surface wounds and fractures. Among subcontractors in 2021, the most common injuries were fractures and surface wounds.

# Employee issues in the Budimex Group



## Managing the staff areas

The companies of the Budimex Group have a set of Instructions forming the human resources management system. These documents define the principles of human resources management, regulating the following areas:

- recruitment,
- employment rules,
- remuneration and employee benefits,
- employee relocation,
- periodic evaluation,
- development and training standards,
- ethical issues,
- countering mobbing and discrimination.

It allows for limiting the risk that the Budimex Group is exposed to, resulting from the lack of suitably qualified employees. The risk understood as both limited possibilities to recruit properly qualified persons and departures of employees and the related loss of competences by the Group.

# Employee issues in the Budimex Group



## Employment structure

[GRI 2-7]  
[GRI 401-1]

### Budimex Group employees

Employment in the whole Budimex Group as at 31.12.2021 amounted to 6939 persons employed under a definite and indefinite term employment contract and was thus lower by 5.1% than in the previous year.

The structure of employment in 2021 and changes from previous years are presented in the table below. Expanded data on the employment structure as at 31 December 2021 can be found in the Attachment.

### Employees with open-ended and fixed-term contracts

	Budimex Group								
	2020			2021			y/y change		
	W	M	W+M	W	M	W+M	W	M	W+M
<b>polish market</b>	<b>1 524</b>	<b>4 877</b>	<b>6 401</b>	<b>1444</b>	<b>4580</b>	<b>6024</b>	<b>-5,6%</b>	<b>-6,8%</b>	<b>-6,5%</b>
fixed-term employees	371	1 481	1 852	314	1175	1489	-15,9%	-21,9%	-20,7%
employed for an indefinite period	1 153	3 396	4 549	1130	3405	4535	-2,3%	-0,2%	-0,7%
employed full-time	1 494	4 843	6 337	1414	4545	5959	-5,6%	-6,8%	-6,5%
employed part-time	30	34	64	30	35	65	-3,3%	-2,9%	-3,1%
aged 51 and over	95	1 016	1 111	92	982	1074	-5,3%	-4,3%	-4,4%
31-50 years old	966	3 062	4 028	852	2757	3609	-12,1%	-10,7%	-11,0%
under 30 years of age	463	799	1 262	500	841	1341	+8,0%	+5,0%	+6,1%
<b>german market</b>	<b>1</b>	<b>871</b>	<b>872</b>	<b>4</b>	<b>911</b>	<b>915</b>	<b>+300,0%</b>	<b>+4,6%</b>	<b>+4,9%</b>
fixed-term employees	0	845	845	1	885	886	-	+4,7%	+4,9%
employed for an indefinite period	1	26	27	3	26	29	+200,0%	+0,0%	+7,4%
employed full-time	1	871	872	4	911	915	+300,0%	+4,6%	+4,9%
employed part-time	0	0	0	0	0	0	-	-	-
aged 51 and over	1	288	289	3	294	297	+200,0%	+2,1%	+2,8%
31-50 years old	0	491	491	1	487	488	-	-0,8%	-0,6%
under 30 years of age	0	92	92	0	130	130	-	+41,3%	+41,3%
<b>Total</b>	<b>1 525</b>	<b>5 748</b>	<b>7 273</b>	<b>1448</b>	<b>5491</b>	<b>6939</b>	<b>-5,4%</b>	<b>-5,1%</b>	<b>-5,1%</b>



## Reception of new employees

Number of people	Budimex Group								
	2020			2021			y/y change		
	W	M	W+M	W	M	W+M	W	M	W+M
<b>polish market</b>	<b>244</b>	<b>848</b>	<b>1,092</b>	<b>346</b>	<b>1,109</b>	<b>1,455</b>	<b>+41.8%</b>	<b>+30.8%</b>	<b>+33.2%</b>
aged 51 and over	9	109	118	29	140	169	+222.2%	+28.4%	+43.2%
31-50 years old	96	449	545	97	547	644	+1.0%	+21.8%	+18.2%
under 30 years of age	139	290	429	220	422	642	+58.3%	+45.5%	+49.7%
<b>german market</b>	<b>0</b>	<b>721</b>	<b>721</b>	<b>1</b>	<b>736</b>	<b>737</b>	<b>-</b>	<b>+2.1%</b>	<b>+2.2%</b>
aged 51 and over	0	209	209	1	195	196	-	-6.7%	-6.2%
31-50 years old	0	384	384	0	414	414	-	+7.8%	+7.8%
under 30 years of age	0	209	209	0	127	127	-	-39.2%	-39.2%
<b>Total</b>	<b>244</b>	<b>1,569</b>	<b>1,813</b>	<b>347</b>	<b>1,845</b>	<b>2,192</b>	<b>+42.2%</b>	<b>+17.6%</b>	<b>+20.9%</b>

## Staff departures

Number of people	Budimex Group								
	2020			2021			y/y change		
	W	M	W+M	W	M	W+M	W	M	W+M
<b>polish market</b>	<b>171</b>	<b>958</b>	<b>1 129</b>	<b>302</b>	<b>1 509</b>	<b>1 811</b>	<b>+77%</b>	<b>+58%</b>	<b>+60%</b>
aged 51 and over	19	227	246	28	340	368	+47%	+50%	+50%
31-50 years old	100	547	647	166	827	993	+66%	+51%	+54%
under 30 years of age	52	184	236	108	342	450	+108%	+86%	+91%
<b>German market</b>	<b>4</b>	<b>885</b>	<b>889</b>	<b>0</b>	<b>703</b>	<b>703</b>	<b>-100%</b>	<b>-21%</b>	<b>-21%</b>
aged 51 and over	4	272	276	0	210	210	-100%	-23%	-24%
31-50 years old	0	460	460	0	372	372	-	-19%	-19%
under 30 years of age	0	153	153	0	121	121	-	-21%	-21%
<b>Total</b>	<b>175</b>	<b>1 843</b>	<b>2 018</b>	<b>302</b>	<b>2 212</b>	<b>2 514</b>	<b>+73%</b>	<b>+20%</b>	<b>+25%</b>

Budimex Group								
2020			2021			y/y change		
W	M	W+M	W	M	W+M	W	M	W+M
-4.5%	4.8%	2.8%	-3.1%	6.7%	4.7%	+1.4%	+2.0%	+1.8%

The changes in the employment structure occurring over the course of 2021 were related to the nature of the activities carried out on contracts in the Polish and German markets. In the turnover indicators for 2021, a slight increase was recorded in relation to the previous year.

# Employee issues in the Budimex Group



[GRI 202-1]  
[GRI 405-2]  
SDG 8

## Remuneration in Budimex Group

The remuneration area policy is part of the system of Instructions that make up the HR area management system. In the second half of 2021, as part of the work on strategic plans in ESG areas, work was also underway to expand the policies in the remuneration area management. The effect of the work was not published by 31 December 2021 and by the date of publication of this report.

According to data published by the Central Statistical Office, the average gross monthly remuneration in Poland was PLN 5,889.84. The average monthly gross remuneration for all employees employed in the Budimex Group was PLN 13,300, while the average monthly remuneration for other employees (this category includes mainly employees in specialist positions and manual workers) was PLN 8,667.

Average monthly gross salary

PLN	2021		
	Budimex Group		
	W	M	average
Senior management	30,255	55,106	50,795
Managers and supervisors	11,748	15,591	14,445
Other employees	6,647	8,009	7,809
<b>All employees</b>	<b>10,155</b>	<b>12,136</b>	<b>11,722</b>

# Employee issues in the Budimex Group



[GRI 404-1]  
[GRI 404-2]  
[GRI 404-3]  
SDG 8.

## Work atmosphere and staff development

### Development, promotion and training

The rules for the implementation of training are regulated internally. Individual training and development needs of employees are determined in the course of discussions between the employee and his/her superior which take place during development planning as part of the evaluation and goal-setting process, as well as during the implementation of additional development programmes. On their basis, the Development and Training Department plans training activities.

There are Operating Instructions in the Budimex Group, the scope of which regulates: training subjects, professional entitlements, co-financing of foreign language learning and post-graduate education.

Development activities follow a 70:20:10 model – 70% is development through practical tasks, 20% with support from others (e.g. supervisor, coaching, mentoring etc.) and 10% through training. In 2021, 100% of employees covered by appropriate procedures have received employee appraisals.

When talking about training activities, it should be noted that some of the trainers are company employees themselves (internal trainers). These are persons who deal with the issues being the subject of training on a daily basis. As a result, the educational offer is effectively tailored to the specifics of the company's operations and directly addresses the development needs of employees. Additionally, it builds and promotes a culture of knowledge sharing at Budimex.

### Development programmes in the Budimex Group

The most important development programmes include:

- „Academy of the Young Engineer”, which is aimed at new employees in positions of trainee engineer and site engineer. Its objective is to efficiently introduce them to work in the organisation. The programme also standardises key competencies required from engineers and enables them to work more effectively in accordance with the rules binding in Budimex. It is implemented in three thematic blocks: personal effectiveness and safety on the construction site. In 2021, 86 people took part in the programme.

- “Engineer’s Academy” is a series of trainings conducted by internal experts in a given field, implemented in the organisation for personnel working on contracts. Their participants can broaden and update their technical knowledge, as well as exchange good practices with other people taking part in them. Some of the topics are carried out in the classic form (in a training room), but there are also some that take place largely on the construction site. In 2021, 331 people took part in the Engineer Academy.
- The “Contract Manager Academy” supports newly appointed contract managers and those preparing to be promoted to this position, in acquiring substantive competencies as well as practical skills related to contract management. It enables them to consolidate and expand their existing knowledge. The programme is divided into three stages: internal workshops to deepen substantive knowledge, external workshops focusing on the development of “soft” competencies and individual support for participants, depending on their needs.
- An important part of the training activities undertaken are special programmes for dedicated groups of employees. One of such activities is “Building Success”, which supports professional development of women and increasing their number in managerial positions in the construction industry, as well as support in expanding leadership and “soft” competences. Women who qualify for the programme participate in a year-long series of workshops and meetings. Long breaks are planned between all meetings so that each participant can implement the knowledge gained during the training in their daily work.

Programmes aimed at developing leadership skills are extremely important:

- “Super Leader” is a programme designed to develop leadership competencies among senior managers by developing skills in communicating strategy, developing subordinate teams and engaging employees to achieve common goals. It consists of three modules, each of which presents a different type of leadership style. Participants in “Super Leader” undergo a diagnosis of their leadership styles prior to the group sessions in order to receive feedback and developmental guidance. In subsequent steps, participants hone their skills during workshops, interspersed with coaching sessions and

implementation tasks. Each of them also receives a set of materials to work on the development of a given leadership style. The second edition of the Super Leader programme had 82 participants.

- “Managerial Stairway”, a path for the development of managerial skills from entry-level manager to top management, taking into account the level of position held, previous experience and the competencies necessary for effective management at each level of career. The programme consists of four stages which gradually broaden the participant’s existing knowledge.
- “Manager’s Toolbox” is a series of obligatory training courses addressed to employees in the production area. Their participants develop skills in evaluating tasks and providing feedback, learn to plan employee development, practice speaking in front of a camera and conducting effective business meetings, as well as expand their knowledge of labour law. The training programme depends on the scope and type of duties of the participants and their position in the organisation’s structure.

The Budimex Group also implements programmes related to the development of interpersonal skills:

- “Communication Path” is divided into several main stages (effective communication, business presentations, the art of persuasion and exerting influence, building authority, relationships within the organisation and with external customers, dealing with conflict and claims), which take into account the successive levels of advancement of the skills and knowledge acquired. Each stage contains several proposals of training topics, which gives the possibility of comprehensive development tailored to individual needs.
- “Extended DISC Individual Analysis” is a study that allows us to get to know the natural potential, predispositions and talents of a person. It is based on self-reflection – the employee makes a self-assessment of how they behave in a given situation. The main areas analysed are behaviour and communication styles manifested in the professional sphere. After the assessment, the employee participates in a webinar, the purpose of which is to familiarise him or her with the Extended DISC model, provide characteristics of the four main styles and prepare for independent work with an individual report. Then, he or she has an opportunity to continue the development of social competences within the framework of training courses included in the “Communication Path”.
- “Feedback Culture” is a project which aims to strengthen openness and trust in cooperation by promoting the idea of giving feedback in an organisation. It offers employees various forms of expanding their knowledge and skills, such as online workshops, trainings, webinars and examples of inspiring activities. Remote training in the area of giving feedback is divided into three stages: two workshop sessions of 3.5 hours and one – lasting 2 hours – behavioural training with an actor. In addition, so-called “knowledge pills” are used in the form of onepagers, leaflets and short educational videos posted on the intranet.
- “Stay Strong” is mental strength and resilience training delivered through webinars with external experts. Its aim is to encourage employees to take care of their mental well-being and equip them with practical skills to build mental resilience in situations of increased

stress (mainly related to the COVID-19 pandemic). As part of the meetings with experts, the topics discussed include ways to increase one’s vitality and mental well-being, methods of regenerating oneself in situations of overload and maintaining mental resilience, time management allowing to maintain work-life balance, e.g. during remote working.

#### New development and training projects in 2021

- The “Grow Infinitely” Development Programme is a project dedicated to people with a high potential for development, in specialist and managerial positions. The main objective of the programme is to increase knowledge and skills, strengthen key competencies of the future in the field of emotional intelligence, decision-making and strategic aspects of management in employees dedicated to participate in the programme. Development activities were preceded by structured interviews with representatives of the programme participants and a sampling session with directors of individual business units. The sessions were designed on the basis based on the specific needs of the organisation, explored in the interviews and sampling sessions. They were equipped with inspiring exercises and practical tools to support the key competencies of the future. In 2021, 109 people took part in the project.
- Webinars for Parents – within the scope of activities supporting Wellbeing, we organised a series of Webinars for Parents conducted by the Working Mum Foundation. The topics covered in the series included the functioning of working.
- The Podcast Cycle is a project addressed to people who prefer gaining knowledge with the help of tools in audio form. Podcasts are becoming an increasingly popular form of communication, therefore, Budimex SA has met the needs of employees and provided them with a modern form of development through the YouTube platform. Educational and development activities dedicated to employees and managers have been divided into two main cycles: Anatomy of Change and Self-discipline. The podcasts are hosted by Sebastian Kotów – a management psychologist, entrepreneur, experienced manager, who actively works with business leaders, supporting organisational changes, development of leaders’ competences or processes of building and implementing strategies.
- Career Compass is a project containing a description of career paths, prepared by representatives of each business division and an external consultant. The proposed solution is tailored to the needs of Budimex and complies with market solutions. It shows what career development opportunities the organisation can offer to employees, both in terms of vertical and horizontal promotions.

#### Survey of commitment

As a result of the Commitment Survey conducted in the Budimex Group, the following training programmes were implemented:

1. Implementation of the 360 assessment platform
2. Implementation of pilot projects Migrate – I learn
3. Implementation of the Mentoring Project

#### Average number of training hours in 2021

	Budimex Group		
	W	M	W+M
Senior management	31.6	38.3	37.2
Managers and supervisors	6.8	11.5	10.1
Other employees	29.7	15.8	17.8
<b>All employees</b>	<b>16.5</b>	<b>14.9</b>	<b>15.2</b>
Expenditure on training in the given period (thousand PLN)	999.6	2,593.1	3,592.7



## Employee benefits

Budimex employees have the opportunity to benefit from subsidised participation in sports events, in which they represent the company, e.g. “Poland Business Run” or “Santa Claus Run”. The Company supports and promotes their hobbies through a series of talks and articles entitled “One Company, Many Passions” published on its intranet. In the intranet, employees share their interests, inspire and motivate each other to lead an active lifestyle.

Budimex offers the following benefits to its employees:

- additional payments to Employee Capital Plans (PPK) – companies of the Budimex Group decided to make additional, voluntary payments to monthly contributions, thanks to which employees will be able to receive higher pensions,
- an extensive medical benefits package regardless of the employee’s position,
- a wide selection of services in the “MyBenefit” programme, thanks to which each employee can decide on his/her own what he/she will use the money from the Company Social Benefit Fund for,
- subsidised sports activities under the “Active BX” initiative (sports sections) and the possibility of using sports facilities thanks to the “MultiSport” card,
- life insurance and the option to extend it to cover additional risk categories (in addition to those covered by the employer),
- an extra paid day off on a birthday or name day,
- interest-bearing loans and grants for people in difficult situations,
- housing allowances for white collar workers,
- gifts for mothers on the occasion of the birth of their child,
- co-financing of professional qualifications.

Employees have the opportunity to participate in individual English, German and Czech language courses subsidised by Budimex. The employees also have access to the eTutor English language learning platform, offering lessons at levels A1 to C2. The platform uses unique solutions and functionalities, such as multimedia exercises, innovative repetition system, artificial intelligence checking pronunciation, algorithm verifying correctness of written work, language games, embedded DIKI dictionary. In addition, each employee using the platform can invite one of their closest relatives to learn for free.

If manual workers work away from home due to the requirements of a particular contract, they can count on free accommodation. A free daily lunch is provided for all blue-collar workers, regardless of whether they work on-site or at their place of residence.

Budimex SA is the first company in the Ferrovial Group and one of the first companies in Poland to implement the “Human Resources Information System” (HRIS) created by Oracle. In 2020, the main “soft” HR processes such as periodic evaluation, goal setting, training and development are covered by this solution. Subsequently, processes related to recruitment, development, succession planning, as well as support for the remuneration and benefits area will also be included. In this way, Budimex provides employees and supervisors with flexible self-service, in line with the latest global practices. HRIS covers almost 6 thousand employees in 5 companies of the Budimex Group. Work on the implementation of the system has been ongoing since the beginning of 2019. This is the largest such project carried out in the construction industry and one of the largest implementations of cloud solutions in Poland. HRIS will support the implementation of HR activities through employee access to the system via computer, tablet and phone.

## Diversity management

The issues related to diversity are unequivocally regulated in corporate documents that apply to all companies of the Budimex Group. These include the “Principles of Corporate Responsibility Policy” of the Ferrovial Group, the owner of Budimex. They oblige all employees of the Group, among others, to respect fundamental human rights, foster equality, diversity and take care of work-life balance. They oblige all employees of the Group to, among other things, respect fundamental human rights, promote equality, diversity and work-life balance. The second Group-wide document is the “Principles for the Protection of Human Rights”, concerning the avoidance of discrimination, the promotion of equal opportunities, as well as the recognition of the value in diversity in the workplace. The third document is the “Code of Ethics”, which implements these policies and combats discrimination in employment.

Budimex has implemented a “Diversity Policy” relating to equal treatment with regard to, inter alia, gender, age, disability, state of health, nationality, political beliefs, form, scope and basis of employment, and is committed to creating an organisational atmosphere and culture that ensures respect for all forms of diversity. The regulations also cover the areas of recruitment, access to training and promotion, remuneration, reconciliation of professional and private life, protection against mobbing and unjustified dismissal. Budimex is breaking down barriers related to the health condition of employees by employing disabled persons. For the purpose of efficient management of the “Policy”, the so-called anti-discrimination and anti-bullying monitoring was introduced, as well as a system of educational tools, workshops and training. Every year, the results of the Policy are reported to the Management Board.

Budimex Group is also a signatory of the “Diversity Card” – an international initiative constituting a voluntary commitment of an organisation to treat all its employees equally, prevent any discrimination in the workplace and take measures to create conditions conducive to diversity. It demonstrates an organisation’s willingness to involve all its stakeholder groups in its efforts to protect and promote diversity.

An important indicator for ensuring non-discrimination based on gender is the Gender Pay Gap Ratio:

%	2021
	Budimex Group
Senior management	45.1%
Managers and supervisors	24.6%
Other employees	17.0%
All employees	16.3%

# Social issues in the Budimex Group



## The Budimex Group's social impact

[GRI 413-1]  
SDG 11.

### Impact on local communities

Budimex attaches great importance to cooperation with local communities, including supporting them, as well as limiting the negative impact on the inhabitants of the areas where the company operates.

The management of the social impact area of the Budimex Group has been specified in the "Principles of the Company's Responsibility Policy". The document includes, among others, provisions directly or indirectly related to social impact aspects, prescribing ethical and responsible behaviour with respect to all activities, transparency and application of best practices in corporate governance, as well as contribution to social and economic development.

The second document operating in this area is the "Policy of cooperation with local communities". It indicates specific actions to be taken both before the commencement of the construction works (conducting a dialogue with the local community on the project in order to dispel any possible concerns related to the investment) and during the contract (building relationships with the social environment of the project).

Construction of road and railway infrastructure in a long-term perspective is one of the conditions of social and economic development of the country, and in effect improves the quality of life of a given community. However, at the stage of construction works implementation, it is connected with specific difficulties, especially for the residents

of areas directly adjacent to the given project (e.g. increased traffic and noise resulting from transport of construction materials, operation of machinery). Each potential aspect of the investment's impact on the surroundings is analysed already at the stage of issuing administrative decisions, and representatives of inhabitants take part in social consultations. The Budimex Group also conducts non-mandatory, additional social consultations during designing e.g. detours or road closures. It provides feedback channels for inhabitants in the form of a contact form available on the [www.budimex.pl](http://www.budimex.pl) website and company profiles in social media. In this way, it limits the risk of phenomena which may have a negative impact on the neighbours of implemented projects or lead to delays and stoppages of works resulting from e.g. protests of residents, blocking of works by them, prolongation of administrative procedures.

Unfortunately, it is not possible to eliminate all difficulties and hazards, therefore, the Budimex Group tries to compensate local communities for any inconvenience caused by its activities. It organizes, among others, educational campaigns for the youngest in the field of road safety, first aid, as well as finances the purchase of equipment for fire brigades, hospitals, etc. It also helps residents with small jobs, e.g. in carrying out minor works, such as renovating playgrounds.

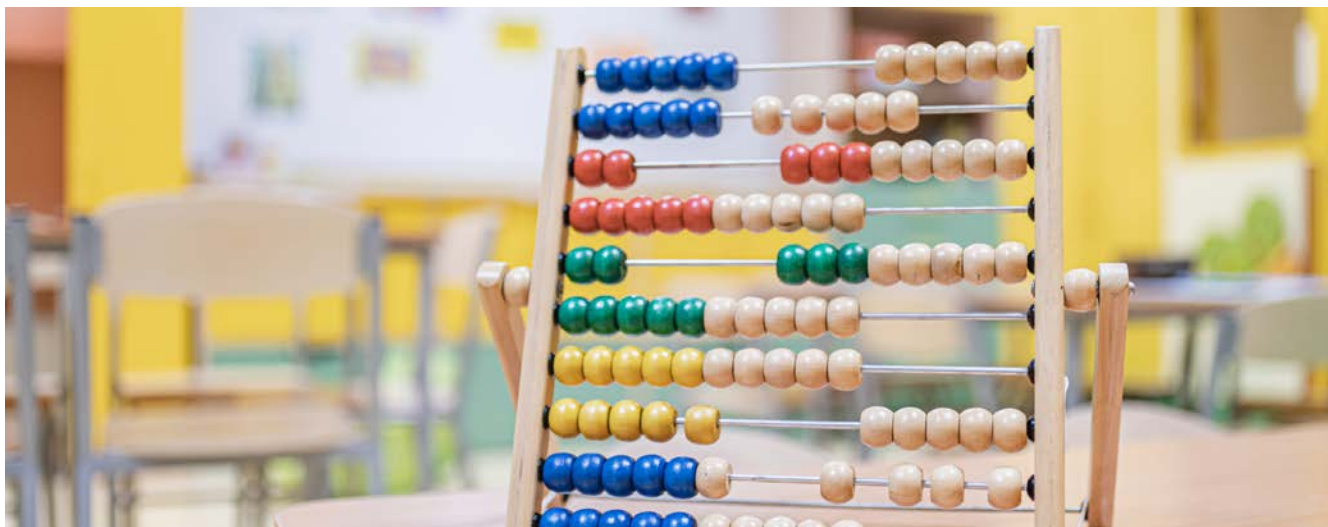
**Unfortunately, it is not possible to eliminate all difficulties and risks, which is why the Budimex Group tries to compensate local communities for any inconvenience caused by its activities.**



There were no conflicts with the local community of a long-term nature in 2021. A few incidents were reported over the reporting period. In each case, corrective action was taken to address the identified inconvenience:

1. **The Strachocina gas pipeline contract** – damage and contamination of local access roads in the area of the Komańcza commune were reported. Regular washing and repair of roads was implemented.
2. **DK12 in Chelm** – incidents were reported with some of the construction neighbours involving the need to move fences. The residents had to move their fences from parts of the plots illegally occupied by their properties. Some of the residents did not want to carry out the activities in their area. The works related to relocating the fences were carried out by Budimex.
3. **S14 in Łódź** – a water well, previously belonging to a house adjacent to the construction site, was occupied by the construction site. Budimex built a new well for the neighbour.
4. **Construction of the Vistula Collector in Warsaw** – there have been protests from the cycling community following the introduction of detours for previously operating cycle tracks. Incorrect marking of temporary paths was reported. The markings were supplemented.
5. **Construction of Wałbrzych by-pass** – residents of one of the neighbouring properties reported that a new road embankment flooded the ground floor of their house during heavy rainfall. The situation was the result of an incorrect construction design. Budimex has made additional drainage in this place and asked the investor to change the project and order the execution of additional water outlets.
6. **Warszawa Zachodnia** – insufficient marking of temporary crossings was reported by inhabitants. Temporary crossings were additionally marked.

# Social issues in the Budimex Group



## SDG 11. Budimex for society

The Budimex Group is actively involved in sponsorship and charity activities. The document that regulates this area of activity is the “Instruction for Approval of Sponsorship Projects, Patronage and Donations”.

Throughout 2021, the Budimex Group was active in a number of sponsorship and charity programmes and activities. In 2021, we continued to implement projects on socio-cultural and educational issues by supporting the following initiatives:

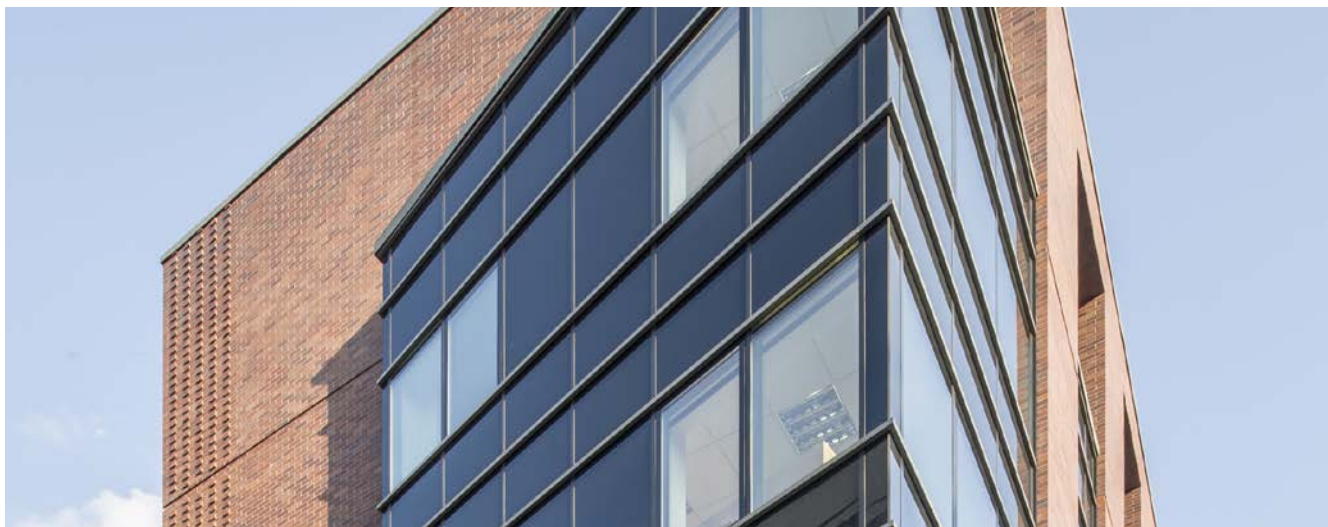
- The **“Discoverers of Diamonds”** scholarship programme, the idea of which is to provide financial support to talented and effective groups of young people to enable them to take part in prestigious international and national competitions in the field of science and technology, in particular technology, engineering, construction, industrial design, mathematics and management.
- **Demos Foundation**, which helps young people in difficult life situations. The organisation creates premises for educational, therapeutic and sporting activities. It organises workshops for youth leaders and scholarship programmes.

- **Support for education** in regions fighting poverty:
  - Purchase of school equipment, support for summer holidays, organisation of educational tournaments in the Warmińsko-Mazurskie, Mazowieckie, Podlaskie and Łódzkie voivodships.
- Support for **voluntary fire services** in the Lublin, Podlasie and Łódzkie regions,
- Support for **the Slice of Bread Foundation**: funding part of the construction of the first hospice in Tarnów in the Małopolskie voivodship,
- **The Great Orchestra of Christmas Aid**: Auction of the golden heart

The total of all realised donations in 2021 is: **PLN 1 million 360 thousand 740**, number of donations: **45**. In addition, **31** social donations for employees were realised for the amount of **PLN 212 thousand**.



# About the report



[GRI 2-3]  
[GRI 2-5]  
[GRI 2-4]

## Information on reporting

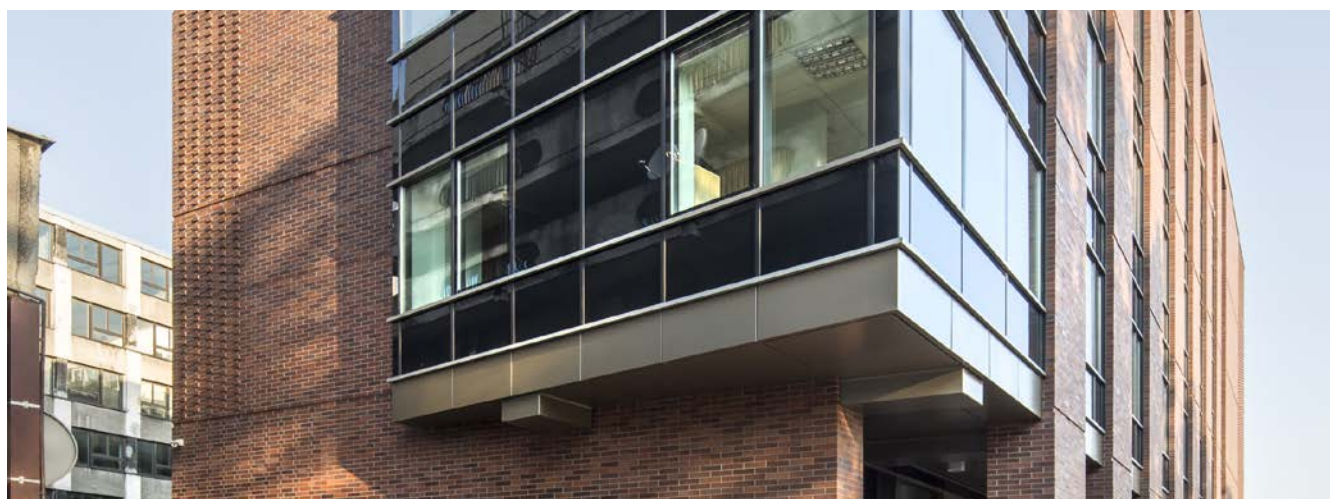
This Integrated Report for 2021 is the Company's fourth such report. The report has been prepared on the basis of an internally developed reporting model based on the Company's long-standing experience in reporting consolidated business, non-financial and financial information. Budimex Group reports non-financial information based on GRI Standards indicators in the version updated in November 2021.

In accordance with the requirements of the Accounting Act of 29 September 1994, the 2021 Report on Non-Financial Information of the Budimex Group includes information and consolidated non-financial data of the Budimex Group in accordance with the structure of the organisation in 2021.

The relevant topics covered throughout this report were identified in the course of work on the CSR Strategy 2021-2023.

Non-financial information of the Budimex Group for 2021 has not been subject to external verification. Figures presented in the report come from internal systems of Budimex SA subsidiary companies. As the base year of the selected figures, due to changes in the consolidation method, the year 2021 was considered. Non-financial data concerning the Group comes from the companies: Budimex SA, Mostostal Kraków SA and FBŚerwis SA. The figures have been validated with the participation of internal experts.

# About the report



## Specification of the report

GRI reference table

Indicator category	Indicator	Description	Page(s)
<b>GRI 2: Core indicators</b>			
	2-1	Organisation details	7
	2-2	Entities covered by the organisation's sustainability reporting	10
	2-3	Reporting cycle and contact details	89
	2-4	Corrections to information	89
	2-5	External verification	89
2. Activities and staff	2-6*	Activities, value chain, and other business relationships	7, 32
	2-7*	Employees	80, 95
3. Management	2-9*	Governance structure and composition <b>Explanation:</b> In the reported year, responsibility for management, including oversight and conduct of activities in specific ESG areas lies with units in the structure dedicated to the management of relevant ESG areas. The role of the Board of Directors is to provide overall oversight of ESG issues and to set the strategic direction for the CSR Strategy.	12, 13
	2-10	Nomination and election of the highest governance body	12
	2-11	Chairman of the highest governing body	12
	2-12	The role of the highest governance body in overseeing the management of impacts	14
	2-13	Delegating responsibility for impact management	14
	2-14	The role of the highest governance body in sustainability reporting	14
	2-15	Conflict of interest	15
	2-16	Communication of critical issues	14
	2-17	Collective knowledge of the highest governance body	14
	2-18	Evaluation of the activities of the highest governance body	14
4. Strategies, policies and procedures	2-25	Mitigation processes	51
	2-26*	Mechanisms for seeking advice and voicing concerns	54
	2-27	Compliance with laws and regulations	54
	2-28*	Membership of organisations	48
5. Stakeholder involvement	2-29	Approach to stakeholder engagement	48

\* denotes the indicator to be verified

GRI 3: Management approach			
	3-1	Process for identifying relevant issues	7
	3-2	List of relevant issues	10
	3-3	Management of relevant issues	89
GRI 201: Economic efficiency	201-1	Direct economic value generated and distributed	89
GRI 202: Obecność rynkowa	202-1	Ratio of the lowest salary in the organisation to the local minimum wage by gender	89
GRI 205: Anti-corruption	205-1	Actions assessed for risks related to corruption	7,32
	205-2	Communication and training about anti-corruption policies and procedures The indicator was excluded from the scope of verification due to lack of data.	80, 95
	205-3	Confirmed cases of corruption and action taken	12,13
GRI 206: anti-competitive behaviour	206-1	Legal action taken against infringements of the principles of free competition	12
GRI 301: Raw materials and consumables	301-1	Consumption of raw materials by volume and weight	12
GRI 302: Energy	302-1	Energy consumption within the organisation	14
	302-3	Energy intensity	14
	302-4	Reduction in energy consumption	14
GRI 303: Water and sewage			15
2. Specific indicators	303-3	Water extraction	14
	303-5	Water consumption	14
GRI 305: Emissions to the atmosphere	305-1	Direct GHG emissions (Scope 1) The indicator was excluded from the scope of verification due to lack of data.	14
	305-2	Indirect GHG emissions (Scope 2) The indicator was excluded from the scope of verification due to lack of data.	51
	305-4	Emission intensity	54
	305-5	GHG emission reduction	54
GRI 306: Waste	306-1	Generation of waste and significant effects related to waste	48
	306-3	Waste generated The indicator was excluded from the scope of verification due to lack of data.	48
	306-4	Waste destined for recycling	68
	306-5	Waste to be disposed of	68
GRI 401: Employment	401-1	New hires and departures The indicator was excluded from the scope of verification due to lack of data.	79, 94
	401-2	Benefits for full-time employees not applicable to persons working under other arrangements	84
	401-3	Maternity leave	98
GRI 403: Occupational health and safety and health at work			
1. Management approach	403-1	Occupational health and safety management system	75
	403-2	Process for identifying risks and threats and dealing with incidents	75
	403-3	Occupational medicine	76
	403-4	Involvement, consultation and communication with employees on health and safety	76
	403-5	Employee health and safety training	76
	403-6	Promotion of healthy lifestyles among employees	84
	403-7	Prevention and mitigation of health and safety impacts directly related to the nature of the activity	75
2. Specific indicators	403-8	Workers covered by the organisation's health and safety policy	75
	403-9*	Work-related injuries <b>Explanation:</b> The 2021 report does not report on accident frequency rates in relation to hours worked. Full indicator scope will be reported in the future once accurate source data is available.	77
	403-10	Occupational diseases	77

GRI 404: Training and education	404-1	Average number of training hours per employee The indicator was excluded from the scope of verification due to lack of data.	83
	404-2	Programmes to support the development and improvement of employee skills	83
	404-3	Percentage of employees receiving regular performance and career development reviews	83
GRI 405: Diversity and equal opportunities	405-2	Ratio of basic salary of women and men and men	82, 85
GRI 406: Anti-discrimination	406-1	Cases of discrimination and corrective measures taken	54
GRI 411: Rights of Indigenous Peoples	411-1	Incidents involving violations of indigenous peoples' rights	87
GRI 413: Local communities	413-1	Community engagement activities; impact research methodology; development programmes	45
	413-2	Operations with a significant potential and actual risk of negative impacts on local communities	45

Table of compliance with the Accounting Act

Requirement of the Accounting Act	Page(s)
Business model (Article 49b, subsection 2, point 1)	3
Key non-financial performance indicators of effectiveness (Article 49b, subsection 2, point 2)	5
Policies in non-financial areas and their results (Article 49b, subsection 2, point 3)	17, 19, 23, 34, 39
Due diligence procedures (Article 49b, subsection 2, point 4)	10
Significant non-financial risks and how they are managed (Article 49b, subsection 2, point 5)	16

Table of Compliance with TCFD Recommendations

TCFD recommendations	Page(s)
GOVERNANCE	
a) Describe the board's oversight of climate-related risk and opportunities	9
b) Describe management's role in assessing and managing climate-related risks and opportunities	9
STRATEGY	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	25
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	25
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	unreported
RISK MANAGEMENT	
a. Describe the organization's processes for identifying and assessing climate-related risks.	25
b. Describe the organization's processes for managing climate-related risks.	25
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	25
METRICS AND TARGETS	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	29
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 green house gas (GHG) emissions, and the related risks.	29
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	unreported



# Attachments



The attachment will present complete non-financial data for the Holding Company Group and for Budimex SA.

[GRI 302-1]  
[GRI 302-3]  
[GRI 302-4]

## Environmental data

The Budimex Group's Environmental Data Summary

		Budimex Group
	Unit	2021
Spent fuels in buildings and installations		
Light fuel oil	MWh	6,759.9
Coal dust	MWh	71,499.9
Mains natural gas	MWh	1,774.5
LPG	MWh	5,923.4
Propane-butane	MWh	102.0
Propane	MWh	1,353.6
Total fuels consumed in buildings and installations	MWh	87,413.3
Fuels used in own vehicle transport		
Petrol	MWh	13,998.6
Diesel	MWh	47,100.7
LPG	MWh	2,233.3
CNG	MWh	1,144.4
Total fuels consumed in transport by own vehicles	MWh	64,477.1
Used fuels for the machinery park		
Petrol	MWh	2,679.8
Diesel	MWh	85,613.8
LPG	MWh	0.0
Propane	MWh	2.9
Propane-butane	MWh	10.5
Total fuels consumed in transport by own vehicles	MWh	88,307.0
Energy generated		
Electricity generated from RES	MWh	62.1

Purchased energy		
Electricity	MWh	23,814.1
Thermal energy	MWh	10,789.3
<b>Total energy consumption</b>	<b>MWh</b>	<b>274,800.9</b>

	Unit	Budimex Group		
		2020	2021	y/y change
Renewable energy for PLN 1 million revenue	MWh/1 mln PLN	0.6	0.9	55.9%
Energy from non-renewable sources for PLN 1 million of revenue	MWh/1 mln PLN	35.1	33.8	-3.5%
<b>Energy from all sources for 1 million PLN of revenue</b>	<b>MWh/1 mln PLN</b>	<b>274,890.4</b>	<b>274,800.9</b>	<b>0.0%</b>

[GRI 305-1]  
[GRI 305-2]  
[GRI 305-4]  
[GRI 305-5]  
[GRI 305-7]  
[TCFD]

## Greenhouse gas emissions

	Budimex Group	
	Unit	2021
Scope 1		
Emissions from fuel use in buildings and installations	Mg CO <sub>2</sub> e	28,342.7
Emissions from fuel use in transport	Mg CO <sub>2</sub> e	16,672.8
Emissions from fuel consumption in the machinery fleet	Mg CO <sub>2</sub> e	23,345.5
Total GHG Scope 1 emissions	Mg CO <sub>2</sub> e	68,361
Scope 2 location-based		
Emissions resulting from the purchase of electricity	Mg CO <sub>2</sub> e	21,648.2
Emissions resulting from the purchase of thermal energy	Mg CO <sub>2</sub> e	3,883.8
Total GHG Scope 2 location-based emissions	Mg CO <sub>2</sub> e	25,532.1
Scope 2 market-based		
Total GHG Scope 2 market-based emissions	Mg CO <sub>2</sub> e	16,030.1
Scope 1+2 location-based		
Total GHG Scope 1+2 location-based emissions	Mg CO <sub>2</sub> e	93,893.0
Scope 1+2 location-based issues per PLN 1 million of revenue	Mg CO <sub>2</sub> e/PLN million	11.9
Scope 1+2 market-base		
Total GHG Scope 1+2 market-based emissions	Mg CO <sub>2</sub> e	84391.1
Scope issues 1+2 market-based for £1m revenue	Mg CO <sub>2</sub> e/PLN million	11.2

## Detailed information on employment in 2021

### Employees on open-ended contracts in 2021

number of people	Budimex Group		
	K	M	K+M
<b>Senior staff, including:</b>	<b>31</b>	<b>147</b>	<b>178</b>
aged 51 and over	8	25	33
31-50 years old	23	122	145
under 30 years of age	0	0	0
<b>Mid-level staff, including:</b>	<b>233</b>	<b>995</b>	<b>1 228</b>
aged 51 and over	14	91	105
31-50 years old	192	814	1 006
under 30 years of age	27	90	117
<b>Other employees, including:</b>	<b>869</b>	<b>2 289</b>	<b>3 158</b>
aged 51 and over	57	687	744
31-50 years old	541	1 258	1 799
under 30 years of age	271	344	615
<b>Employees at all levels of the structure</b>	<b>1 133</b>	<b>3 431</b>	<b>4 564</b>
aged 51 and over	79	774	853
31-50 years old	756	2 194	2 950
under 30 years of age	298	434	732
<b>Total for all levels of the structure</b>	<b>1 133</b>	<b>3 431</b>	<b>4 564</b>

### Employees on fixed-term contracts in 2021

number of people	Budimex Group		
	W	M	W+M
<b>Senior staff, including:</b>	<b>3</b>	<b>16</b>	<b>19</b>
aged 51 and over	1	4	5
31-50 years old	2	12	14
under 30 years of age	0	0	0
<b>Mid-level staff, including:</b>	<b>13</b>	<b>121</b>	<b>134</b>
aged 51 and over	1	20	21
31-50 years old	11	91	102
under 30 years of age	1	10	11
<b>Other employees, including:</b>	<b>299</b>	<b>1 923</b>	<b>2 222</b>
aged 51 and over	14	449	463
31-50 years old	84	947	1 031

under 30 years of age	201	527	728
<b>Employees at all levels of the structure</b>	<b>315</b>	<b>2 060</b>	<b>2 375</b>
aged 51 and over	16	473	489

number of people	Budimex Group		
	W	M	W+M
31-50 years old	97	1 050	1 147
under 30 years of age	202	534	736
<b>Total for all levels of the structure</b>	<b>315</b>	<b>2 060</b>	<b>2 375</b>

#### Employees on fixed-term and open-ended contracts in 2021

number of people	Budimex Group		
	W	M	W+M
<b>Senior staff, including:</b>	<b>34</b>	<b>163</b>	<b>197</b>
aged 51 and over	9	29	38
31-50 years old	25	134	159
under 30 years of age	0	0	0
<b>Mid-level staff, including:</b>	<b>246</b>	<b>1 116</b>	<b>1 362</b>
aged 51 and over	15	111	126
31-50 years old	203	905	1 108
under 30 years of age	28	100	128
<b>Other employees, including:</b>	<b>1 168</b>	<b>4 212</b>	<b>5 380</b>
aged 51 and over	71	1 136	1 207
31-50 years old	625	2 205	2 830
under 30 years of age	472	871	1 343
<b>Employees of all levels of the structure</b>	<b>1 448</b>	<b>5 491</b>	<b>6 939</b>
aged 51 and over	95	1 276	1 371
31-50 years old	853	3 244	4 097
under 30 years of age	500	971	1 471
<b>Total for all levels of the structure</b>	<b>1 448</b>	<b>5 491</b>	<b>6 939</b>

#### Employees with disabilities in 2021

	Budimex Group		
	W	M	W+M
Number of disabled employees at the end of the financial year	9	22	31
Amount of contributions paid to PFRON (PLN)	8,960,413		



#### Employees newly recruited during the year on a non-specified term in 2021

number of people	Budimex Group		
	W	M	W+M
<b>Senior staff, including:</b>	<b>1</b>	<b>13</b>	<b>14</b>
aged 51 and over	0	2	2
31-50 years old	1	10	11
under 30 years of age	0	1	1
<b>Mid-level staff, including:</b>	<b>10</b>	<b>25</b>	<b>35</b>
aged 51 and over	2	6	8
31-50 years old	8	16	24
under 30 years of age	0	3	3
<b>Pozostali pracownicy, w tym:</b>	<b>7</b>	<b>26</b>	<b>33</b>
aged 51 and over	2	7	9
31-50 years old	3	14	17
under 30 years of age	2	5	7
<b>Employees at all levels of the structure</b>	<b>18</b>	<b>64</b>	<b>82</b>
aged 51 and over	4	15	19
31-50 years old	12	40	52
under 30 years of age	2	9	11
<b>Total for all levels of the structure</b>	<b>18</b>	<b>64</b>	<b>82</b>

#### Employees newly recruited during the year for a fixed term in 2021

number of people	Budimex Group		
	W	M	W+M
<b>Senior staff, including:</b>	<b>2</b>	<b>8</b>	<b>10</b>
aged 51 and over	1	1	2
31-50 years old	1	7	8
under 30 years of age	0	0	0
<b>Mid-level staff, including:</b>	<b>69</b>	<b>244</b>	<b>313</b>
aged 51 and over	18	21	39
31-50 years old	36	150	186
under 30 years of age	15	73	88
<b>Other employees, including:</b>	<b>258</b>	<b>1,529</b>	<b>1,787</b>
aged 51 and over	7	298	305
31-50 years old	48	764	812
under 30 years of age	203	467	670

<b>Employees at all levels of the structure</b>	<b>329</b>	<b>1,781</b>	<b>2,110</b>
aged 51 and over	26	320	346
31-50 years old	85	921	1 006
under 30 years of age	218	540	758
<b>Total for all levels of the structure</b>	<b>329</b>	<b>1,781</b>	<b>2,110</b>

#### Employees with open-ended contracts who left during 2021

number of people	Budimex Group		
	W	M	W+M
<b>Senior staff, including:</b>	<b>6</b>	<b>16</b>	<b>22</b>
aged 51 and over	2	6	8
31-50 years old	4	10	14
under 30 years of age	0	0	0
<b>Mid-level staff, including:</b>	<b>94</b>	<b>297</b>	<b>391</b>
aged 51 and over	10	45	55
31-50 years old	70	226	296
under 30 years of age	14	26	40
<b>Other employees, including:</b>	<b>68</b>	<b>399</b>	<b>467</b>
aged 51 and over	6	148	154
31-50 years old	42	176	218
under 30 years of age	20	75	95
<b>Employees at all levels of the structure</b>	<b>168</b>	<b>712</b>	<b>880</b>
aged 51 and over	18	199	217
31-50 years old	116	412	528
under 30 years of age	34	101	135
<b>Total for all levels of the structure</b>	<b>168</b>	<b>712</b>	<b>880</b>

#### Fixed-term employees who left during 2021

number of people	Budimex Group		
	W	M	W+M
<b>Senior staff, including:</b>	<b>0</b>	<b>4</b>	<b>4</b>
aged 51 and over	0	1	1
31-50 years old	0	3	3
under 30 years of age	0	0	0
<b>Mid-level staff, including:</b>	<b>27</b>	<b>107</b>	<b>134</b>
aged 51 and over	3	21	24

31-50 years old	15	63	78
under 30 years of age	9	23	32
<b>Other employees, including:</b>	<b>107</b>	<b>1 389</b>	<b>1 496</b>
aged 51 and over	7	329	336
31-50 years old	35	721	756
under 30 years of age	65	339	404
<b>Employees at all levels of the structure</b>	<b>134</b>	<b>1 500</b>	<b>1 634</b>
aged 51 and over	10	351	361
31-50 years old	50	787	837
under 30 years of age	74	362	436
Total for all levels of the structure	134	1 500	1 634

[GRI 401-3] Information on maternity and paternity leave

	Budimex Group								
	2020			2021			y/y change		
	W	M	W+M	W	M	W+M	W	M	W+M
Percentage of those who, in a given year, left work less than 12 months after the end of parental, maternity or parental leave	n/a	n/a	n/a	14,4%	0,0	14,2%	n/a	n/a	n/a
Number of persons who ended parental, maternity or parental leave during the year	111	2	113	99	1	100	-10.8%	-50.0%	-11.5%
Number of persons who started parental, maternity or parental leave during the year	98	1	99	94	0	94	-4.1%	-100.0%	-5.1%